REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA ELECTRICITY TRANSMISSION COMPANY LTD

FOR THE YEAR ENDED 30 JUNE, 2021

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Enhancing Accountability

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REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY TRANSMISSION COMPANY LTD FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazetted notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

The accompanying financial statements of Kenya Electricity Transmission Company Limited set out on pages 35 to 74, which comprise of the statement of financial position as at 30 June, 2021, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Deloitte & Touché, auditors appointed under Section 23 of the Public

Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Electricity Transmission Company Ltd as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

Basis for Qualified Opinion

1.0 Deferred Grant Income

The statement of financial position reflects total deferred grant income of Kshs.189,891,542,000 which, as disclosed in Note 20 to the financial statements comprises of Kshs.70,915,400,000 and Kshs.118,976,142,000 in respect of direct and indirect grants respectively. Review of records revealed that the Company received an amount of Kshs.19,836,802 from the Ministry of Energy. However, records from the Ministry reflected an amount of Kshs.10,831,798,269 resulting to an unexplained variance of Kshs.9,005,004,000.

Further, the statements of profit or loss and other comprehensive income reflects amortized grant from Government income amounting to Kshs.2,192,104,000 which differs with the current grant amortization reported in the previous year as grant income to be amortized over 12 months of Kshs.2,233,745,000 resulting to an unexplained variance of Kshs.41,641,000.

In the circumstances, the accuracy of grants receipts and amortized grant income thereof could not be confirmed.

2.0 Capital Work in Progress

The statement of financial position as disclosed in Note 13 to the financial statements reflects an amount of Kshs.111,471,881,000 in respect of capital work in progress while the supporting schedule provided for audit indicated a balance of Kshs.111,015,936,000 resulting in an unexplained variance of Kshs.455,945,000. Review of the financial records revealed that projects valued at Kshs.17,015,210,520 were completed in the previous financial years but had not been capitalized. Management has not explained the reasons for not capitalizing the projects.

Further, projects valued at Kshs.25,566,410,286 were still ongoing but had exceeded their respective contract completion dates. However, Management has not explained the reasons for the delay in completion of the projects or provided evidence of approval of the contract extension as required by Section 139(2) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, the accuracy and completeness of the capital work in progress balance of Kshs.111,471,881,000 could not be confirmed.

3.0 Trade and Other Payables

3.1 Unsupported VAT Payable

The statement of financial position as at 30 June, 2021 reflects trade and other payables balance of Kshs.18,069,482,000. However, the balance includes, VAT payable output tax amounting to Kshs.1,163,953,516 that was not supported by VAT returns duly acknowledged by Kenya Revenue Authority.

Under the circumstances, the accuracy and completeness of the VAT payable of Kshs.1,163,953,516 could not be confirmed.

3.2 Undisclosed Amounts Due To Kenya Electricity Generating Company Limited

The statement of financial position as at 30 June, 2021 reflects trade and other payables of Kshs.18,069,482,000. However, the amount excludes a balance of Kshs.4,481,056,467 in respect of transmission lines that were done during the financial year 2008/2009 or earlier by Kenya Electricity Generating Company (KenGen) and which are used in the furtherance of Company's business for revenue generation. Although the Company continues to generate revenue from the transmission lines, there was no evidence provided to indicate that the they have been included as part of the plant, property and equipment.

Further, although the transmission lines were financed through a loan, the Company has not recognized any interest charged on this loan since the takeover of the lines. Management of KenGen indicate that there has been negotiation for transfer of the assets to the Company which if concluded would increase the operations costs of the Company due to the accruing interest and impact cash outflows due to loan repayments every year.

Under the circumstances, the accuracy and completeness of the payables balance of Kshs.18,069,482,000 could not be confirmed.

4.0 Trade and Other Receivables

4.1 Unsupported Receivables Balances

The statement of financial position reflects trade and other receivables of Kshs.9,726,373,000 which is net of amounts due from related parties balance of Kshs.3,911,771,000. Review of the financial records revealed unsupported adjustments of Kshs.143,123,044 and Kshs.1,169,443,245 in respect of advance payments and litigation costs receivables respectively.

Further, included in the trade receivables are balances of Kshs.1,630,895,645, Kshs.3,392,580,798 and Kshs.1,008,597,136 in respect of advance payment, litigation cost receivable and assets under construction advance payment respectively, whose supporting documents were not provided for audit.

In addition, supporting schedule for trade and other receivables includes VAT input receivable of Kshs.1,302,920,502 that was not supported by VAT returns duly acknowledged by KRA.

Under the circumstances, the accuracy and completeness of the receivables balance of Kshs.9,726,373,000 could not be confirmed.

4.2 Amounts Due from Kenya Power and Lighting Company Limited

The statement of financial position and as disclosed in Note 21(a) to the financial statements reflects outstanding balances arising from services rendered to Kenya Power and Lighting Company Limited (KPLC) of Kshs.5,897,754,000. However, KPLC records indicated a balance of Kshs.5,546,379,000 resulting in a variance of Kshs.351,375,000.

In addition, there was no evidence of a payment plan from KPLC for the outstanding amounts at the end of the financial year under review.

In the circumstances, the full recoverability of the amounts due from Kenya Power and Lighting Company Limited could not be ascertained.

5.0 Unsupported Subsistence Allowances

The statement of profit or loss and other comprehensive income for the year ended 30 June, 2021 reflects administration costs of Kshs.1,520,724,000 which as disclosed in Note 6(a) to the financial statements includes other operating expenses amounting to Kshs.141,844,983 in respect of subsistence allowances-domestic, subsistence allowance-Staff travel expense and subsistence allowances-International travel. However, the expenditure was not supported with the details of the activities, dates of the activities, approved work plans, boarding passes, copies of passports and evidence of surrender of imprests.

In the circumstances, the accuracy, and propriety of the expenditure of Kshs.141,844,983 on other operating expenses could not be confirmed.

6.0 Unaccounted for Grants

The statement of financial position and as disclosed in Note 21(c)(ii) to the financial statements reflects recurrent grants of Kshs.6,816,300,000 received from the Ministry of Energy. However, Management did not provide documents to support how grants amounting to Kshs.3,407,118173 were accounted for.

Further, review of the financial records revealed that the Nanyuki-Isiolo-Meru project was allocated an amount of Kshs.100,000,000 during the year under review but only amount of Kshs.59,429,226 was incurred. However, records provided for audit indicated that the project was completed in the year 2014. Management did not explain why the project was allocated funds, yet it had been completed.

In addition, it was noted that an amount of Kshs.2,2522,000 was disbursed to four (4) projects that had no activities and the funds could not be accounted for.

In the circumstances, the accuracy of expenditure on recurrent grants of Kshs.3,407,118,173 could not be confirmed.

7.0 Unsupported Expenditure

The statement of financial position and as disclosed in Note 13 to the financial statements reflects an amount of Kshs.2,696,820,000 in respect of transfer from works in progress for construction of transmission lines. Included in the balance is an amount of Kshs.701,416,727 that was incurred on construction of the Loyangalani Suswa transmission line. However, the expenditure was not supported with a certificate of completion and commissioning.

In the circumstances, validity of the expenditure of Kshs.701,416,727 for construction of transmission lines could not be confirmed.

8.0 Pending Way-Leave Compensations

Review of way-leave compensations revealed that the Company had outstanding compensation to landowners for way-leaves amounting to Kshs.2,724,649,715. However, Management explained that delayed payment was due to insufficient budgetary allocation from The National Treasury and long negotiations between land owners, the Company and various County Governments. Delays in compensating Project Affected Persons, (PAPs) may lead to legal suits, cost escalations and project delays.

Further, it was noted that the way-leave compensation balance includes debit balances of Kshs.11,940,000 which has been occasioned by a mismatch of invoices against the corresponding payable balance. Management indicates that the matching is an ongoing process but does not indicate the controls put in place to ensure that the errors are eradicated in future.

In the circumstances, the accuracy and completeness of the pending way-leave compensations could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Electricity Transmission Company Ltd Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audit of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

1.0 Provisions and Contingent Liabilities

I draw attention to Note 29(a&b) to the financial statements which discloses that the Company's estimated contingent liabilities consist of ongoing court cases relating to acquisition of wayleaves and contractors' claims beyond the original contract period, amounting to Kshs.6,723,093,000. According to Management, the status of these exposures is evaluated on a regular basis to assess the probability of incurring related liabilities. However, in the event that these contingent liabilities crystalize, the Company may be exposed to unforeseen project cost overruns, resulting to inability to meet its obligations when they fall due. This may affect service delivery capacity of the Company.

My opinion is not modified with respect to these matters.

2.0 Material Uncertainty Relating to Going Concern

I draw your attention to the statement of financial position at 30 June, 2021 which indicated the company's current liabilities balance of Kshs.27,479,514,000 exceeded current assets balance of Kshs.21,655,789,000 by an amount of Kshs.5,823,725,000.

In view of the negative working capital, the Company may not be in a position to meet its short-term maturing obligations, thereby exposing it to going concern risks.

My opinion is not modified with respect to this matter.

3.0 Court Award on Terminated Contract

During the year under audit, an arbitration case between the Company and a contractor for the termination of contract for the construction of 132KM of 400KV double circuit transmission line from Lessos substation in Kenya to Tororo substation in Uganda has remained unresolved since April, 2016. The tribunal issued an award in favour of the contractor on 30 July, 2019 amounting to Euro 37,365,691 or approximately Kshs.4.5 Billion, which included termination costs, legal cost and other claims amounting to Kshs.2,223,137,553. Management considered the decision to be against public interest and sought assistance from Attorney General's office in setting aside the Tribunal's award. However, the award was upheld by the High Court of Kenya on 16 February, 2020.

Further, it was not possible to confirm whether the project would be completed in the near future, and the additional costs which would be necessary to complete the project, or the losses which the Government of Kenya would suffer in the event that the project is not completed.

In the circumstances, the award has resulted to unforeseen legal and arbitration costs, termination charges, and other claims.

My opinion is not modified with respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Information

The Directors are responsible for the other information, which comprises of corporate information, Chairman's statement, report of the Chief Executive Officer, Statement of performance against predetermined objectives, Management discussions and analysis, report of the Directors and the statement of Directors' responsibilities.

The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Construction of Loyangalani - Suswa Transmission Interconnector Line

In the special audit concluded in April 2021 a number of issues were raised in the procurement and execution of the above contract as indicated below:

i) Management did not undertake both technical and financial due diligence as provided under Section 68(1) PPDA Act 2015 leading to irregular payment of Kshs.10,827,072 to a Contractor which subsequently filed a petition for bankruptcy.

ii) After bankruptcy of the original Contactor, Management engaged yet another Contractor. However, the procurement was not included in the annual procurement plan and valuation of the pending works for the purposes of preparing the bills of quantities was not provided for audit.

iii) Engagement of subcontractors at a cost of Kshs.1,524,059,296 which was not accompanied with certificates of completion.

iv) Acquisition of materials from the subcontractors at a cost of Kshs.26,220.329 without a valuation report and subsequently taking them on charge.

In the circumstances, Management was in breach of law and value for money could not be confirmed.

2.0 Payments made for Terminated and Stalled Projects

Review of the project status report indicated that an amount of Kshs.3,976,801,443 had been paid to a contactor in respect of Bomet-Sotik, Mwingi-Kitui-Wote-Sultan Hamud,Nanyuki-Nyahururu and Olkaria transmission lines for contracts that have since been terminated while an amount of Kshs.8,714,632,590 was incurred on construction of the Lessos-Tororo-Transmission line which had stalled. Management has not explained the reasons for the termination and measures instituted to recover the payments made to the contractors.

In the circumstances, it was not possible to confirm whether value for money was obtained on the expenditure of Kshs.12,691,434,033 on the four (4) transmission lines.

3.0 Non-Compliance with Loan Novation Agreement

As previously reported, loan liability on the construction of the Kamburu-Meru transmission line was transferred from Kenya Power and Lighting Company (KPLC) to Kenya Electricity Transmission Company (KETRACO), on 19 October, 2016. According to the novation agreement, KETRACO was required to make bi-annual payments to the Government of Kenya (GoK) on account of outstanding interest at a rate of 2.5% per annum. However, the Company had not made any payments to the Government, as stipulated in the novation agreement. Management has indicated that a moratorium for twenty-four (24) months had been sought from The National Treasury but the matter was yet to be considered by the National Treasury.

In the circumstances, Management was in breach of the law.

4.0 Income from Disposal of Motor Vehicles

Note 5 to the financial statements reflects income from disposal of motor-vehicles of amounting to Kshs.20,025,000. However, the disposal was not supported with an approved disposal plan, minutes of asset disposal committee, a technical report to support the disposal of the assets and the reserve price as required by Regulations 176 and 177 of the Public Procurement and Asset Disposal Regulations, 2020.

In the circumstance, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, except for the matters described in theBasis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Weak Information Technology Internal Controls

Review of the KETRACO financial information system revealed some internal control weaknesses, which could result to unauthorized access and manipulation of the entity's financial data, thus negatively impacting on the data integrity. It was noted that password parameters in relation to password complexity and account lockout duration have not been appropriately defined.

In the circumstances, the effectiveness of the ICT infrastructure could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015 I report based on the audit, that:

(i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;

(ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;

(iii) The Company's statement of financial position and statement of comprehensive income agree with books of account.

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution, and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters which may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with Management, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. These matters are described in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CPA Nancy Gathungu, CBS
<u>AUDITOR-GENERAL</u>

Nairobi

23 September, 2022

KETRACO

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED (KETRACO)

FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE 2021

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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CORPORATE INFORMATION
FOR THE YEAR ENDED 30 JUNE 2021

BACKGROUND INFORMATION

The Kenya Electricity Transmission Company Limited was incorporated on 2 December 2008 and registered under the Companies Act, Cap 486 pursuant to Sessional Paper No. 4 of 2004. At cabinet level, the entity is represented by the Cabinet Secretary for Ministry of Energy who is responsible for the general policy and strategic direction of the entity. The entity is domiciled in Kenya and does not have branches.

PRINCIPAL ACTIVITY

The principal activity of the Company is to design, construct, operate and maintain electricity transmission infrastructure that forms the backbone of Kenya's National Transmission Grid, build interconnectors to facilitate regional power trade, and to wheel electricity to The Kenya Power and Lighting Company Limited and other end users from generators who produce power in bulk. The Company vision is to be a world-class electricity transmission Company and the leading inter-connector in Africa. The mission is to provide reliable, efficient and effective electricity transmission and promote power trade for sustainable socio-economic development.

DIRECTORS

Hon. Capt. Joe Musyimi Mutambu, MBS	- Chairman
Eng. (CPA) Antony Wamukota, OGW	- Ag. Managing Director
Hon. Amb. Ukur Yatani Kanacho, EGH	- Cabinet Secretary, National Treasury and Planning
Maj. Gen (Rtd) Dr. Gordon.O. Kihalangwa,CBS	-Principal Secretary, Ministry of Energy(Appointed w.e.f 30/09/2021)
Dr.Eng. Joseph K. Njoroge	- Principal Secretary, Ministry of Energy (Ceased w.e.f 30/09/2021)
Arch.Kariuki Muraya	
Mr. Joakim K. Kamere	
Mrs. Grace W. Ndugu	
Mr. Phillip Mongony	
Mrs. Lizzie Chongoti	
Mr. Joseph M. Kariuki	- Alternate to Hon. Amb. Ukur Yatani
Eng. Julius Mwathani	- Alternate to Maj. Gen (Rtd) Dr. Gordon.O. Kihalangwa(Ceased w.e.f 25/11/2021)
Eng. Thomas Karungu	-Alternate to Maj. Gen (Rtd) Dr. Gordon.O. Kihalangwa (Appointed w.e.f 25/11/2021

SECRETARY
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PRINCIPAL LEGAL ADVISORS
The Attorney General
State Law Office
Harambee Avenue
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Nairobi, Kenya

THE BOARD OF DIRECTORS

	**Hon. Capt. Joe Musyimi Mutambu – Chairman, Independent and Non-executive** Hon. Capt. Joe Musyimi Mutambu, MBS joined the board on 20th April 2021 and is KETRACO's fourth Chairman. Born in 1967, the chairman has vast experience as a Community Development Manager with strong awareness of public mobilization and sports management as well as Public Sector Boards Management.He has previously served as the Member of Parliament for Mwingi Central Constituency as well as Member of Parliament Departmental Committee on Energy, Transport, Information, Communication and Public Works and Procedure and House Rules Committee, from 2013 to 2017. He is also a proprietor of medium sized enterprises specializing in engineering, construction, broadcasting and telecommunications. He is also the chairman of Water Resources Authority
	**Eng. (CPA) Antony Wamukota, OGW – Ag. Managing Director, Executive and Non independent** Eng. Wamukota joined the board on 28th January 2022. Born in 1973, he holds a Bachelor's degree in Civil Engineering from Jomo Kenyatta University of Agriculture & Technology (JKUAT). He is a certified Public Accountant of Kenya (CPA, K). He has twenty (20) years cumulative working experience in the public sector where he has gained extensive experience in management of projects mainly funded by foreign development partners in the electricity subsector. He has previously worked with the Ministry of Roads and Public Works from 1998 to 2009 before joining KETRACO in 2010. He is registered by the Engineers Board of Kenya, (EBK) as a Professional Engineer and is a Corporate Member of the Institution of Engineers of Kenya, (IEK).
	**Maj. Gen (Rtd) Dr. Gordon .O. Kihalangwa, CBS, Principal Secretary, The Ministry of Energy, Non independent and Non-executive** Maj. Gen (Rtd) Dr. Gordon .O. Kihalangwa, CBS joined the board on 1st October 2021after appointment as Principal Secretary in the Ministry of Energy. Born in 1956,the PS had served as the Director for Immigration services from 2014 until March 2018 when he was appointed as the Principal Secretary, State Department for Immigration and Citizen Services, in the Ministry of Interior and Coordination of National Government. He also had a short stint as Principal Secretary, Ministry of Defence in August 2019, he was reassigned in the same capacity to the State Department for Public Works in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works in 2019. Prior to joining the Civil Service, he worked in the Military which he joined as a Cadet Officer close to 40 years ago. He diligently served and worked his way through the ranks in the military and rose to the rank of Major General and was appointed to the position of Assistant Chief of General Staff in-charge of Personnel and Logistics. He retired as a Major General in 2014 after close to 33 years of Service. During his time in the Military, Maj. Gen (Rtd) Dr. Kihalangwa underwent various military courses and Strategic Leadership training, locally and internationally. He is an Alumni of the National Defence College (K), National Defence College 'ensp' (RSA) and Defence Staff College (K). He holds a PhD and a Master's degree in International Studies and Diplomacy from Washington International University (WIU) in the United States of America. He further holds a Diploma in Strategic Studies and a Diploma in International Studies both from the University of Nairobi (UoN).

THE BOARD OF DIRECTORS

Hon. Amb. Ukur Yatani Kanacho, EGH, Cabinet Secretary, The National Treasury and Planning, Non independent and Non-executive

Hon. Amb. Ukur Yatani Kanacho, EGH, has over 27 years' experience in public administration, politics, diplomacy and governance. Born in 1967, the CS served as a pioneer Governor of Marsabit County, the largest County in the Republic of Kenya. Hon. Yatani also served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC) among others.

Hon. Yatani holds a Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, 2005; and Bachelor of Arts in Economics, Egerton University, Kenya, 1991.

Mr. Joakim Kamere – Director, Independent and Non-executive

Mr. Kamere joined the Board on 17th April 2015. Born in 1968, Joakim is a corporate commercial lawyer with a wealth of over 16 years' experience in corporate governance, structuring companies, drafting commercial agreements, perfection of bank securities, and legislative drafting.

Mr. Kamere, is the Managing Partner at Kiarie Kamere & Co. Advocates. He holds a Bachelor of Laws degree from the University of Nairobi, is an Advocate of the High Court of Kenya, a Notary Public, a Commissioner for Oaths, and a Certified Public Secretary - CPS (K).

Mrs. Grace Ndugu-Director ,Independent and Non-executive

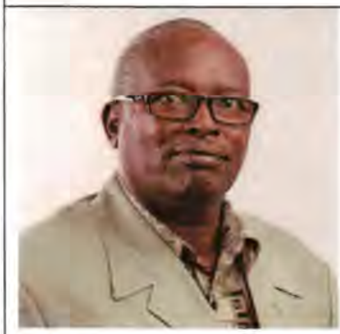
Grace joined the Board on 17th April 2015. Born in 1960, Grace is the chair of board audit and risk committee. She has over 25 years of experience in Justice and Peacebuilding, including 10 years with the National Council of Churches of Kenya and 15 years with the Catholic Relief Services.

She is skilled in project management, integration of peacebuilding into development, protection, inter-religious dialogue, negotiations, mediation and reconciliation. She has a competency in policy formation/reviews, institutional capacity strengthening, research and strategic & contingency planning.

Grace holds a Master of Science (MSc) in Development Administration and Planning, with a concentration in Political Development from Bristol University, UK. She is an alumnus of the Eastern Mennonite University's Summer Peacebuilding Institute at the Eastern Mennonite University and has also attended various international and national peacebuilding, governance, human rights and protection trainings.

Prior to joining the Civil Society, Grace worked for 10 years at the High Court of Kenya and the Ministry of Constitutional and Home Affairs.

THE BOARD OF DIRECTORS

	**Mrs. Lizzie Chongoti - Director, Independent and Non-executive** Lizzie Chongoti joined the Board on 8th February 2019.Born in 1967, Lizzie is the chair of finance, strategy and risk management board committee. She has over 20 years of experience in delivering development programs in the government and non-government sectors. Mrs. Chogoti is currently an International Development Consultant having successfully concluded a three year contract at the Kenya Film Commission (KFC) as the CEO. Prior to joining KFC, she was the Country's Director of Heshima Kenya, an Executive Director of the Hilde Back Education Fund (HBEF) and in-charge of the Ford Foundation International Fellowships Programme (IFP) in Kenya. Mrs. Chongoti has served in various Boards including the Grants Committee of the ICT Authority, the Legal Resources Foundation (LRF), Twaweza Communication, the District Education Board - Kipkelion, Kipkelion Girls' Secondary School, a member of the steering committee – British Council Leadership Forum and the Association of International Educators (NAFSA). She holds a Master of Science in Education from the University of Bristol (UK), a Bachelor of Education (Science) from Kenyatta University and a Higher Diploma in Human Resource Management. She is a member of the Kenya Association of Fundraising Professionals and the Institute of Directors (IoD).
	**Mr. Philip Mongony - Director, Independent and Non-executive** Philip joined the Board on 17th April, 2015. Born in 1954, Phillip is the chair of staff and remuneration board committee. He has over 30 years' experience in Human Resources practice and Consultancy. He has worked with the Directorate of Personnel Management, Office of the President, Kenya National Trading Corporation and East African Portland Cement as the Head of Human Resource before moving to Consultancy in Human Resources and Real Estate Business. Philip holds a Master of Personnel Management (MPM) and a Bachelor in Commerce (Business Administration Option). He is also a member of the Kenya Institute of Personnel Management.
	**Arch. Kariuki Stephen Muraya, Independent and Non-executive** Arch. Muraya joined the Board on 18th December 2015. Born in 1973, Arch Muraya is the chair of technical board committee. He has over 17 years' experience in architecture having handled projects such as the Uchumi Supermarket, Bombolulu Mombasa branch, the Enashipai Resort & Spa and the Doctors' Plaza for the Nairobi Hospital among others. Stephen is currently a partner with Aaki Consultants, Architects & Urban Designers. Arch. Muraya holds a Bachelor of Architecture degree from the University of Nairobi and a Master of Science degree in Project Management (Construction & Infrastructure) from the University of Liverpool. He is also a member of the Architectural Association of Kenya (AAK) and the Board of Registration of Architects and Quantity Surveyors (BORAQS).

THE BOARD OF DIRECTORS

Eng. Julius Mwathani (Alternate Director to Dr. (Eng.) J. Njoroge, MBS), Non-independent and Non-executive

Born in 1960, Eng. Mwathani has wide experience in public sector management, having worked for more than 22 years in various senior positions in Government. He joined the board on 27th January 2020.
He holds a Bachelor of Science degree in Mechanical Engineering and an Executive Master of Business Administration degree.

Eng. Mwathani is registered by the Engineers Registration Board of Kenya and is a member of the Institution of Engineers of Kenya (IEK).

Mr. Joseph M. Kariuki (Alternate Director to Hon. Ukur Yatani), Non-independent and Non-executive

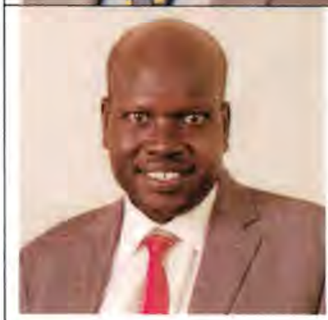
Born in 1968, Joseph joined the Board on 30th September 2019 as Alternate to Cabinet Secretary, National Treasury & Planning. He is an Economist by profession with over 26 years' experience working in various Departments of Government.

For the last 14 years Mr. Kariuki has been working at the National Treasury where part of his key assignments include monitoring performance of public enterprises and investments of the national government as well as providing advice on the public investment policy. Joseph holds an MA (Economics) from the University of Nairobi and is currently also the Alternate Director at Agriculture & Food Regulatory Authority (AFRA) and Kenya Petroleum Refineries Limited (KPRL).

Ms. Lydia Sitienei – Company Secretary & General Manager, Legal Services, Non independent

Lydia Sitienei is an Advocate of the High Court of Kenya, Commissioner for Oaths, a Certified Secretary and Governance Auditor with demonstrated knowledge and over 15 years of professional experience in the practice of corporate and commercial law within the Financial Services, Real Estate, Insurance, Pensions and Energy Sectors.
Born in 1981, Ms. Sitienei joined KETRACO in August 2017 as Manager Legal Services (Commercial, Compliance & Secretariat) and was appointed Company Secretary & General Manager Legal Services in July 2021. Prior to joining KETRACO, she worked at the CPF Group of Companies & LAPTRUST as the Group Head of Legal and Company Secretary. She also served as a Standing Committee member of the East and Central Africa Social Security Association (ACASSA) and an expert for the East African Community (EAC) on EAC Pensions and Insurance Sectors Integration.
She holds a master's degree in Public Policy & Management from Strathmore University Business School (SBS), Bachelor of Laws Degree from the University of Buckingham (UK), Postgraduate Diploma in Law from the Kenya School of Law and is a Certified Secretary (CS-K). She has also trained at the New York University (NYU) Robert F. Wagner Graduate School of Public Service.
She is a member of the Law Society of Kenya (LSK), Institute of Certified Secretaries of Kenya (ICS), Chartered Institute of Arbitrators (CiArb) – Kenya Branch, East Africa Law Society (EALS) and Institute of Directors (IOD-K)

THE MANAGEMENT TEAM

	**Eng. (CPA) Antony Wamukota, OGW – Ag. Managing Director** Eng. Wamukota holds a Bachelor's degree in Civil Engineering from Jomo Kenyatta University of Agriculture & Technology (JKUAT) and is knowledgeable in accounting matters, having attained the CPA (Final) certificate. He has twenty (20) years cumulative working experience in the public sector where he has gained extensive experience in management of projects mainly funded by foreign development partners in the electricity subsector. He has previously worked with the Ministry of Roads and Public Works from 1998 to 2009 before joining KETRACO in 2010. He is registered by the Engineers Board of Kenya, (EBK) as a Professional Engineer and is a Corporate Member of the Institution of Engineers of Kenya, (IEK).
	**Dr. (Eng.) Joseph Siror, PhD** **General Manager, Technical Services** Dr. (Eng.) Siror holds a Doctorate of Philosophy in Engineering from Shanghai Jiaotong University (China) majoring in Radio Frequency Identification (RFID), a key technology for intelligent systems. He has a Bachelor of Science in Electrical Engineering and Master in Business Administration from the University of Nairobi. He previously worked as a Director of Science, Technology Innovation and Communication at the National Economic and Social Council (NESC). He also served as a Senior Assistant Commissioner at the Kenya Revenue Authority (KRA), where he spearheaded several infrastructure and technology projects including the X-ray Cargo Scanning for non-intrusive inspection of cargo at Kilindini Port and Electronic Cargo Tracking System for tracking transit cargo. Dr. (Eng.) Siror also worked at Kenya Posts and Telecommunications Corporation where he was part of the team that were trained in the United Kingdom for introduction and rollout of digital leased lines in the country. He is a member of Institute of Electrical and Electronics Engineers (IEEE), a licensed Professional Electrical Engineer with Engineers Board of Kenya (EBK) and a Corporate Member of the Institute of Engineers in Kenya (IEK).
	**CPA Tom Imbo** **General Manager, Finance** CPA Tom Imbo holds a Master of Business Administration-Finance and a Bachelor of Education (Economics, Business Administration) degrees from Kenyatta University. He is a certified Public Accountant of Kenya (CPA, K) and serves as a member of Member Services Committee of ICPAK. CPA Imbo has over 15 years' experience in financial management in the private and public sectors. Prior to joining KETRACO he was the Head of Management Accounts at United States International University (USIU).
	**Dr. (Eng.) John M. Mativo, CE, FIEK- General Manager, Project Development Services** Dr. (Eng.) John Mativo has more than twenty (20) years cumulative working experience in both the public and private sector accumulating extensive experience in research, design, construction supervision and contract management. He has worked with KETRACO since 2010 as the Head of Technical Services, where he was involved in the design and construction of 4,800km of high voltage transmission lines, 48 new substations and extension of 28 existing substations. He is responsible for formulating new high voltage transmission infrastructure and carrying out Monitoring and Evaluation of ongoing

THE MANAGEMENT TEAM

	projects. Prior to joining KETRACO, Dr. (Eng.) Mativo worked with H.P. Gauff Consulting Engineers, Ministry of Roads and Public Works and later as a Consultant for European Union funded projects in the Local Government. He holds a Bachelor's degree in Civil Engineering from the University of Nairobi, a Master's degree in Structural Engineering from Tongji University (China) and a Doctorate of Philosophy degree in Civil Engineering from Tokyo Metropolitan University (Japan). Dr. (Eng.) Mativo is a Registered Engineer (ERB) and a Corporate Member of the Institution of Engineers of Kenya (IEK).
	**Ms. Lydia Sitienei – Company Secretary & General Manager, Legal Services** Ms. Sitienei is an Advocate of the High Court of Kenya, Commissioner for Oaths, a Certified Secretary and Governance Auditor. She joined KETRACO in August 2017 as Manager Legal Services (Commercial, Compliance & Secretariat) and was appointed as the Acting Company Secretary & General Manager Legal Services in November 2020. Prior to joining KETRACO, she worked at the CPF Group of Companies & LAPTRUST as the Group Head of Legal and Company Secretary. She also served as a Standing Committee Member of the East and Central Africa Social Security Association (ACASSA) and an expert for the East African Community (EAC) on EAC Pensions and Insurance Sectors Integration. She holds a master's degree in Public Policy & Management from Strathmore University Business School (SBS); Bachelor of Laws Degree from the University of Buckingham (UK); Postgraduate Diploma in Law from the Kenya School of Law; Certified Secretary (CS-K); and Accredited Governance Auditor. She has also trained at the New York University (NYU) Robert F. Wagner Graduate School of Public Service. She is a member of the Law Society of Kenya (LSK), East Africa Law Society (EALS), Institute of Certified Secretaries of Kenya (ICS), Institute of Directors (IOD-K), and the Chartered Institute of Arbitrators (CiArb) – Kenya Branch.
	**Dr. Lawrence Njogu Kimando– General Manager, Strategy Research and Compliance** Dr. Lawrence Njogu Kimando Ph.D is a highly experienced Strategic Management professional with more than twenty years of hands-on experience in strategic analysis, research, entrepreneurship, monitoring & evaluation, among others. He has previously worked in ICT Authority as the Head of Corporate Planning, Research & Innovation as well as the National Sports fund and Goodit International Limited. He has published several academic journals and is a holder of Doctorate of Philosophy (Ph.D) in Entrepreneurship, Master of Science (Msc) in Entrepreneurship and Master of Business Administration (MBA - Strategic Management) from JKUAT. He is also a holder of Bachelor of Education (B.Ed) in Business Studies and Mathematics from the University of Nairobi. Dr. Kimando is also a full member of Kenya Institute of Management (KIM) and Society of Educational Research and Evaluation in Kenya (SEREK)

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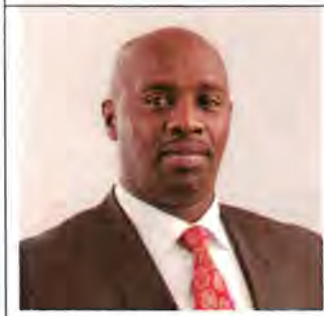
	**CPA, Moses M. Mulonzia** **Senior Manager, Internal Audit & Risk** CPA Mulonzia is a Finance and Risk Management specialist with over 13 years' experience spanning both the private and public sector. He is an expert in Internal Audit, Risk Management, Financial Management, Fraud investigations and Information System Audit. Before joining KETRACO, he served as the Head of Internal Audit and Risk Management at Kenya Wildlife Service (KWS) where he was part of the turnaround management team. He was instrumental in institutionalization of Risk Management and Balanced Scorecard performance management system. He has also worked at Jubilee Insurance Company (K) Limited as an Internal Auditor, Data Centre and as Chief Accountant, United Insurance where he served in Finance and Internal Audit Departments. CPA Mulonzia holds a Bachelor of Commerce in Finance from Catholic University of Eastern Africa and a Master of Business Administration Strategic Management degree from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He also holds a Diploma in Forensic Accounting among other Leadership and Integrity certificates. He is a Certified Public Accountant-CPA(K, Certified Information Systems Auditor (CISA) and a Certified Internal Auditor (CIA). He is also a member of Institute of Certified Public Accountants Kenya (ICPAK), Institute of Internal Auditors (IIA-K), Kenya Institute of Management (KIM) and Information Systems Audit and Control Association (ISACA).
	**Mr. Peter M. Njehia** **Senior Manager, Supply Chain** Mr. Njehia has a Bachelor of Arts and Master in Business Administration degrees from Egerton University, Post Graduate diploma in Supply Chain Management from Jomo Kenyatta University of Agriculture and Technology (JKUAT), as well as a professional Procurement and Supply Management Diploma (CIPS). He has previously worked as a Procurement Officer at Egerton University, Head of Supply Chain at the Laikipia University and Head of Supply Chain Management at the National Environment Management Authority (NEMA). He has been instrumental in successful procurement and implementation of electricity transmission infrastructure projects in Kenya. He is a Licensed Supply Chain Management Practitioner by Kenya Institute of Supplies Management (KISM) and is a Member of KISM and Member of the Chartered Institute of Procurement and Supply (MCIPS).
	**Mrs. Regina Kemboi** **General Manager, Human Resource and Administration** Ms. Regina Kemboi holds a Master's degree in Human Resource from Moi University, a higher diploma in Human Resource from Institute of Human Resource Management and a Bachelor of Business Administration from Kenya Methodist University. She has attended various Management courses both locally and internationally. Prior to joining KETRACO as a Manager Administration, Ms. Regina worked as a Senior Administrative Officer at the Kenya Urban Roads Authority (KURA), Administration Officer at the Kenya Civil Aviation Authority (KCAA) and Kenya College of Communications and Technology (KCCT-Mbagathi) currently Multi Media University. She is a member of Institute of Human Resource Management (IHRM).

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

Dear Shareholder,

Welcome to our Annual Report for 2021.

On behalf of the Kenya Electricity Transmission Company (KETRACO) Limited Board of Directors, it gives me great pleasure to present to you the Company's Annual Report for the year ended 30 June 2021.
The challenges of Corona Virus Disease (COVID -19) mean that we are again unable to attend our AGM in person. The COVID 19 disruption remain unforgettable, unprecedented, and unparalleled. The pandemic has turned the World upside down, forcing nations to go for either partial or total lockdowns.
When I presented the previous Annual Report, we had not fully comprehended the depth and even the length of COVID 19 economic meltdown.
During the early days of the pandemic the outlook appeared bleak for businesses around the World. KETRACO was not immune to these challenges.
The disruption, however, came with some positive indices; entities have been forced to re-engineer by accelerating the pace of digital transformation.
The Company demonstrated remarkable resilience and resourcefulness as Staff and Management embraced new ways of working, including working from home, and introducing a duty roster so that the number of staff in the office remained lean, for the better part of the year.
We welcome and celebrate the discovery, development, and rollout of Covid -19 vaccines while also recognizing the new variants of the pandemic that have become a risk to the current efforts to deal with this threat to our livelihoods. Thus, the safety and well-being of our employees, families, partners, clients, and other stakeholders across all our projects remain our top priority in line with the guidelines issued by the Ministry of Health. We will continue to offer our support to stakeholders, sector agencies and the Government.

Activities during the year

The Company has embarked on a digital transformation journey necessitating significant investments in our operating modules. We have seen the development of digital platform; Integrated Location Intelligent System (ILIS). The new system provides a modular, extendable, and scalable software architecture with robust enterprise geodatabase that ensures automation of key business process and enhances sharing of information across all departments within KETRACO.

The Company can report major milestones such as the completion of the 45 Km of 123kV Mwingi-Kitui line in March-2021 and Olkaria – Lessos – Kisumu project which consisted of 219km, 400kV double circuit transmission line from Olkaria to Lessos, a 74Km 220kV transmission line from Lessos to Kibos and a 9.1km 132kV transmission Line from Kibos to Mambo Leo. The project is expected to improve power supply in Western Kenya and scheduled for official Commissioning soon. This brings the total transmission infrastructure owned by KETRACO to 2,704 km.

We also expect to reap the full potential of the ongoing works on projects that are meant to enhance reliability of power supply in the country, reduce transmission losses and address cases of low voltages such as Nairobi Ring and Associated Substations, Mariakani 400/220kV Substation, System Reinforcement projects such as Isinya 400/220kV & Nairobi North 220/66kV substation and Regional Interconnection Projects such as 132km 400kV Lessos-Tororo line (Kenya-Uganda Interconnector) ,612km 500kV Eastern Electricity Highway Project (Ethiopia-Kenya Interconnector) and 96 km 400kV Kenya-Tanzania Interconnector respectively which are in their final stages of completion.

We have had to review the due dates of various Transmission Line Projects due to challenges posed by COVID-19 pandemic, wayleaves and survey issues and budgetary constraints.

Performance Review

The Company's asset base has continued to grow and rose from KShs 195,272 million in the 2020 financial year to KShs 219,853 million in financial year 2021. The Company received project funding amounting to KShs 13,020 million from external sources and KShs 6,816 million from the exchequer in the financial year under review. The total income during the year under review amounted to KShs 5,269 million while the total operating expenses was KShs 4,522 million compared to KShs 5,460 million and KShs 6,092 million, respectively, in 2019 - 2020.

Outlook

The Company has planned short term projects that include 220kV Mariakani Dongo Kundu, 400/132kV Makindu substation, National System Control Centre, 400/220kV Kimuka substation and STATCOMs for Suswa and Rabai substations that will have positive deviation on our core mandate. These projects will also improve reliability and increase power quality in different parts of the Country.

Appreciation

The year has been very challenging and the measures we took to sustain the Company's operations would not have been possible without the continued support of my fellow Directors. I wish to thank them for their splendid contribution.

As we conclude this period on a strong note, I want to take this opportunity to thank you all for your unwavering support during the most turbulent of times. The superb response from everyone at KETRACO as well as our stakeholders, ensured that we go through this stronger together.

Finally, my heartfelt gratitude goes to my predecessor Hon. Eng. James Rege under whose watch most of these developments took place, fellow Directors, Management and Staff of KETRACO for their sacrifices and efforts that enabled the Company to stay afloat through the challenging times. This would not have been possible without the support and commitment of our stakeholders.

HON. CAPT. JOE MUSYIMI MUTAMBU, MBS
CHAIRMAN

REPORT OF THE CHIEF EXECUTIVE OFFICER FOR THE YEAR ENDED 30 JUNE 2021

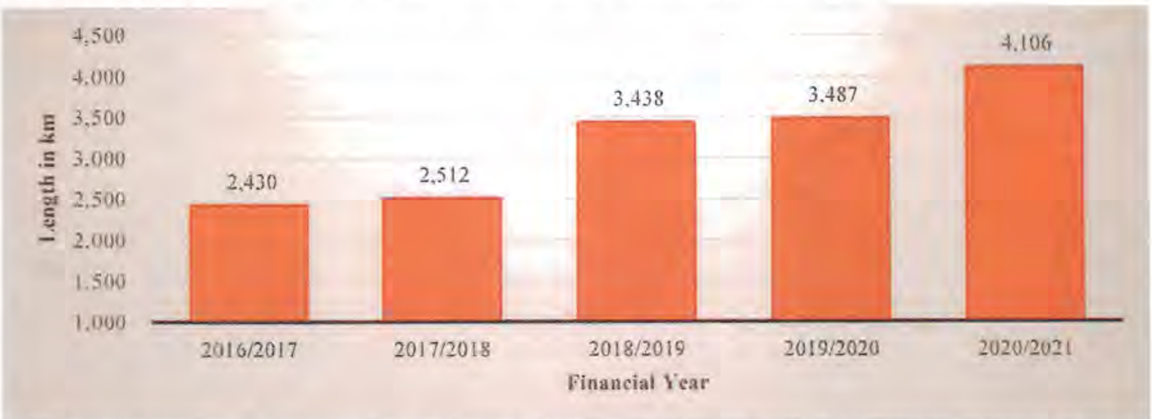
KETRACO has effectively continued to deliver its primary mandate of planning, designing, constructing, owning, operating, and maintaining high voltage transmission lines both at the country level and in the East African region through cross border interconnectors since its establishment in December 2008. The transmission lines have varying objectives, ranging from increasing power reliability, provision of alternative supply routes, connecting new unserved load centres, strengthening the transmission network, interconnection, and evacuation of power from new generation plants. With energy being an enabler in the Big Four Agenda Initiatives and the Kenya Vision 2030, this expansion and strengthening of the transmission grid has facilitated economic growth and development by supporting manufacturing industries, affordable housing programmes, universal healthcare services and food security systems.

During the year under review, a major milestone that was realised is the completion of 617.8km 400/220/132kV Olkaria-Lessos-Kisumu transmission line and commissioning of the Kibos Substation. The completion of this project is expected to enhance stability and reliability of power supply and evacuate power from Olkaria geothermal plants to Western region. The Company also commissioned 220/66kV Athi River Substation. The substation will provide an alternative supply to the Nairobi region, evacuate power from Olkaria to Nairobi and facilitate power exchange between the neighbouring countries. This brings the total transmission lines network constructed and owned by KETRACO to 4,105.7km in circuit length. Construction of other key transmission projects totalling to 3,120km in circuit length continued during the year. These include the 500kV HVDC Eastern Electricity Highway Project, 400kV Kenya – Tanzania Power Interconnection Project, 132kV Isinya-Namanga transmission line, 132kV Lessos-Kabarnet, 132kV Olkaria-Narok, 132kV Nanyuki-Rumuruti and 132kV Kitui-Wote lines.

In the year ending June 2021, KETRACO generated KShs 17.56 billion in Appropriation in Aid against an annual target of KShs 29.42 billion. The Appropriation in Aid comes from wheeling and fibre revenues and development budget allocated by the National Treasury. The annual absorption rate of Government of Kenya and Internally generated funds was at 69%, a 10.5% increase from the previous year's rate of 58.5%. The Company was also able to absorb KShs. 14,760 million of externally mobilized resources against a target of KShs. 26,682 million, realising an absorption rate of 55%. The failure to meet the financial targets was attributable to delays in implementation of planned activities due to effects of COVID-19 pandemic on both exchequer development budget as well as recurrent budget related activities such as consultancies and trainings, wayleaves challenges that delayed projects implementation and delayed disbursement of funds by the National Treasury.

The growth in electricity transmission network over the last five years is depicted in Figure 1 below.

Figure 1: Circuit Length of High Voltage Transmission Network: 2016/17- 2020/21



The ongoing projects are categorized into different objectives namely, regional interconnection, electricity access, power evacuation and system strengthening. The various projects under each category are briefly discussed below.

I. **System Strengthening Projects**

Once complete, these projects will increase supply of reliable power by stabilising voltage levels and reducing transmission losses. These projects include: -

- **Nairobi Ring Associated Substations**
  The remaining project scope entails the construction of 220/66 2x200MVA Malaa and Ngong (Kimuka) substations. The project's main objective is to provide alternative substations to supply Nairobi and evacuate power from Olkaria to Nairobi. The project is 89% complete and is expected to be complete by December 2021.
- **400/220 kV Mariakani Substation**
  The project involves the construction of a 400/220kV 4x200MVA substation at Mariakani. The project's objective is to step up voltage to 400kV for the existing 220kV Mombasa – Nairobi Transmission Line to improve power transfer capacity, adequacy, and security to the coastal region. The project is 62% complete and is expected to be complete by June 2022.

II. Regional Interconnection Projects

These are projects meant to facilitate power trade in the Eastern Africa Power Pool and eventually with the Southern Africa Power Pool.

- **264km 400kV Lessos-Tororo line (Kenya-Uganda Interconnector)**
  The project's scope entails construction of a 264km 400kV double circuit line from Lessos to Tororo, extension of Lessos Substation (220kV and 132kV switchyards) and installation of 2x90MVA transformers. The interconnector between Kenya and Uganda will allow for trade between the two countries and other neighbouring countries. The project is 55% complete, with the expected completion date to be decided after procurement of a new contractor.
- **1224km 500kV Eastern Electricity Highway Project (Ethiopia-Kenya Interconnector)**
  The scope of the project includes design and construction of a 1224km 500kV HVDC transmission line, a 2000MW bipolar convertor Station and 400kV Substation at Suswa and extension of existing Suswa substation. The project aims to facilitate power exchange between Ethiopia and Kenya and is expected to be complete by December 2021.
- **192 km 400kV Kenya-Tanzania Interconnector**
  The project scope entails construction of 96km, 400kV double circuit line from Isinya to Namanga for the Kenyan section. The project's objective is to connect the Eastern Africa Power Pool to the Southern Africa Power Pool since it is part of the larger Kenya -Tanzania -Zambia interconnector. The project is 85% complete and is expected to be complete by September 2021.

III. Electricity Access Projects

These projects are expected to enhance access to electricity within the country and reduce power outages. These includes:

- **278km 132kV Power Transmission system improvement projects**
  These projects include 65km Lessos-Kabarnet, 68km Olkaria-Narok, 79km Nanyuki-Rumuruti and 66km Kitui-Wote lines with substations at Kabarnet, Narok, Kitui, Wote and Rumuruti. The projects are expected to connect load centres of Rumuruti, Kabarnet, Narok, Kitui and Wote to the national grid to improve access to reliable power. They are 94% complete and expected to be completed by December 2021.

- **69km 132kV Sondu – Ndhiwa (Homa Bay/Ndhiwa)**
  The project scope entails a 69km 132kV transmission line from Ndhiwa to Sondu and a 132/33kV 23MVA substation at Sondu. The project is expected to improve electricity reliability in Migori and Homabay Counties. The projects construction progress is at 79% and is expected to be complete by December 2022.
- **5km 132kV Nanyuki – Isiolo 132kV Underground cable**
  The project entails the construction of a 5km underground cable, which is part of the Nanyuki Isiolo project Construction works for the cable section are yet to start. The project aims at improving quality of power supply, meet growth demand and increase accessibility in Nanyuki, Isiolo and its environs and should be complete by December 2022.

- **96km 132kV Isinya – Namanga**
  The project entails the construction of a 96km line from Isinya to Namanga, with 132/33kV substations works at Isinya and Namanga. The objective of the project is to connect load centres of Isinya and Namanga to the National Grid to improve access to reliable power. The project is 80% complete and is expected to be complete by September 2021.

- **70km 132kV Nanyuki – Isiolo**
  The transmission line with 132/33kV substations at Nanyuki and Isiolo project will connect load centre of Isiolo to the national grid to improve access to reliable power and provide an alternative transmission supply route to Nanyuki. It is 93% complete and is scheduled for completion by June 2022.

- **120km 132kV Sultan Hamud – Merueshi-Loitoktok**
  The projects scope entails construction of a 123km 132kV line from Sultan Hamud to Loitoktok and a substation at Oloitoktok. The project's objective is to connect load centres of Oloitoktok and improve access to reliable power. The project is 28% complete and is scheduled for completion by June 2022.

- **240km 220kV Garsen -Bura-Hola –Garissa**
  The project consists of a 240km 220kV line, substations at Garissa and Hola and/or Bura, and an extension bay at Garsen. The project will improve access to reliable power in the load centres of Garissa, and Hola. The project is 3% complete with a target completion of March 2022.

III. Electricity Access Projects (continued)

- **134km 132kV Rabai-Bomani-Kilifi**
  The 134km transmission line with a 132/33 2x45MVA substation at Bomani will increase power access through reinforcement of the grid in the coastal region. It is 10% complete and is expected to be complete by June 2022.

- **50km 132kV Awendo- Isebania**
  The project consists of a 50km line through Migori and a new Substation at Isebania and will enhance electricity access around Migori and its surroundings. The project is 15% complete and is expected to be complete by June 2022.

- **40km 400kV Isinya-Konza**
  The project entails a 40km 400kV line with substations at Konza and a bay extension at Isinya. Once complete, it will increase access to reliable power at Konza, Isinya and its environs. It is 15% complete and is scheduled for completion by June 2022.

- **150km 220kV Kamburu-Embu -Thika**
  The project comprises of a 150km 220kV line from Kamburu to Thika, new substations at Embu and Thika and a bay extension at Kamburu. The project aims to supply the loads of Embu (Kutus) and Thika from the power available from Kamburu. It is 10% complete and is expected to be complete by June 2022.

- **Uplands (Maai Mahiu) substation**
  Construction of the Maai Mahiu 132/66kV 2x60MVA substation is currently 10% complete and is scheduled for completion by June 2022.

IV. Power Evacuation projects

- **135km 220kV Turkwel – Ortum – Kitale**
  The project scope is the construction of a 135km line from Turkwel to Kitale and 220kV substations at Ortum and Kitale. The line section is complete. Erection works at Kitale substation are complete, with the control building 58% complete. Erection of gantry and support structures at Ortum substation is complete. The project is expected provide an alternative transmission evacuation route for Turkwel power plant and to connect load centres of Ortum to the national grid. The whole project is expected to be complete by March 2022.

V. Planned Projects

KETRACO, in its long-term Transmission Master Plan, has developed a 20-year transmission expansion plan indicating projects expected to be implemented on a yearly basis. Between the period 2021 - 2040, about 10,869km in circuit length of transmission lines and 12,782 MVA of substation capacity have been planned.

ENG. (CPA) ANTONY WAMUKOTA, OGW
Ag. MANAGING DIRECTOR

STATEMENT OF PERFOMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE YEAR ENDED 30 JUNE 2021

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the National Government entity's performance against predetermined objectives.

KETRACO has 6 strategic themes and objectives within the current Strategic Plan for the FY 2018/19- FY 2022/23. These strategic themes are as follows:

- Theme 1: Transmission Infrastructure Planning and Development
- Theme 2: Transmission Network Operation and Maintenance
- Theme 3: Power Management
- Theme 4: Financial Mobilization and Sustainability
- Theme 5: Organizational Capacity and Governance
- Theme 6: Stakeholder Engagement

KETRACO develops its annual work plans based on the above 6 Themes. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. KETRACO achieved its performance targets set for the FY 2020/2021 period for its 6 strategic themes as indicated in the diagram below:

Strategic Theme	Objective	Key Performance Indicators	Activities	Achievements
Transmission Infrastructure Planning and Development	To timely build a reliable, efficient and effective electricity transmission infrastructure	• Number of feasibility study reports • Number of prefeasibility study reports. • Length of Kms of transmission lines constructed • Number of substations constructed. • Transmission Master Plan updated • Number of RAP reports • Number of substation land acquired • Number of valuation reports crops	• Undertake three feasibility studies • Carry out pre-feasibility studies to develop project concepts • Construct high voltage power transmission lines • Construct high voltage power transmission Substations • Develop and review Transmission Master Plan • Undertake RAP • Acquire substation land • Undertake valuation of land, structures and crops	• 617.8km 400/220/132kV Olkaria-Lessos-Kisumu transmission line was completed and energized • 99km 132kV Kenya Power Transmission System Improvement Project constructed • 220/66kV Athi River Substation completed • Transmission Master Plan 2020-2040 updated • Voi – Taveta; Sultan Hamud-Loitoktok; and Konza substation feasibility studies were carried out • 132kV Loitoktok-Taveta link, Suswa-Nairobi North reconductoring, 400kV Rumuruti-Lessos prefeasibility studies draft reports were prepared. • RAP for Kamburu-Embu-Kibirigwi-Thika rerouted section and Awendo-Isebania undertaken • Acquired Masaba, Makindu, Merueshi and Oloitoktok substations land • 44 km Kamburu-Embu-Kibirigwi-Thika. and 110km

				Sultan - Hamud - OLoitoktok land valuation undertaken • Valuation of crops and trees for Isinya - Namanga Line undertaken
Transmission Network Operation and Maintenance	To effectively and efficiently operate and maintain the transmission network	• Percentage availability of transmission lines and substations • Number of Annual Maintenance plans developed and implemented • No. of armed police officers deployed	• Maintain a 99.5% availability of KETRACO transmission lines and substations throughout the year. • Develop and implement an organizational annual maintenance plan • Procure armed police security to safeguard transmission infrastructure	• 99.95% availability of transmission lines and substations recorded during the year. • A maintenance plan for 2020/21 was developed and implemented. • 142 officers from Critical Infrastructure Protection Unit (CIPU) were deployed in the year.
Power Management	To effectively and efficiently manage the transmission system and facilitate power trade	• EAPP Meetings attended and reports prepared • Number of Tariff proposals prepared and submitted	• Participate in power market and pricing activities of Eastern Africa Power Pool (EAPP) • Submit revenue requirements for the tariff control period 2020/21 – 2022/23	• KETRACO provided inputs, comments and attended meetings on the design of the proposed EAPP Power Market. • Revenue requirement proposal for the tariff control period 2020/21 – 2022/23 was submitted to KPLC for incorporation into the Retail Tariff Application. • Financing for National System Control Centre secured and procurement of consultant started.
Financial Mobilization and Sustainability	To mobilize and efficiently utilize financial resources sustainably	• Approved Annual Budget. • Total sum of allocated funds absorbed. • Total sum of externally mobilized funds absorbed • Total sum of Appropriation in Aid collected/mobilized • Pending bills as a percentage of Total Budget	• Prepare annual budget and financing proposals and seek necessary approvals • Utilize all of Government of Kenya and Internally Generated Funds amounting to KShs. 8,740 million • Absorb all externally Mobilized Resources totalling to KShs. 26,682 million	• Annual Budget prepared as per the budget cycle. • The Company realised an absorption rate of 69% (KShs 6,034 million) for Government of Kenya and Internally Generated Funds. • The Company absorbed KShs. 14,760 million of externally mobilized resources realising an absorption rate of 55%.

		• Assets transferred to the Company	• Raise Appropriation-in-Aid amounting to KShs. 29,420 million • Reduce pending bills to 1% of the total budget. • Transfer of transmission assets including Greenfields substation land	• Appropriation-in-Aid including development budget, wheeling and fibre revenues was KShs. 17,560 million. • Pending bills were at 9.5% of the Company's total budget by June 2021. • Embu, Kyeni, Ortum, Kitale, Namanga, Rongai, Kimuka, Lessos, Awendo and Embu substation acquired. • Bamburi Substation land was leased.
Organizational Capacity and Governance	To strengthen organizational capacity and governance	• Number of Policy, Procedures and manuals revised and implemented. • Report on staff skills Gap analysis • Staff annual performance appraisal • Level of ISO Certification progress • Number of students placed on internship and attachment	• Review/ implement the Company's operational policies, manuals, and procedures. • Assess staff skills, talent, and performance potential • Carry out staff performance appraisal at the end of the financial year • Acquire and Implement an Information Security Management System Certification (ISO 27001) • Place 125 students on internship and attachment	• The following policies were developed: Knowledge Management Policy; Mentorship and coaching policy, Reward and performance management policy; Training & Development policy; Research & Development policy; and Monitoring & evaluation policy, Security policy, ICT Policies and Gift policy. • Skills gap analysis was undertaken. • Staff appraisal was undertaken, and staff trainings attended as capacity building initiatives to enhance performance. • ISMS certificate acquired in December 2020. • KETRACO offered 92 industrial attachments and 35 internships to students and graduates.

Stakeholder Engagement	To strengthen stakeholder engagement	• Review implement and disseminate Service Delivery Charter • Sensitization and Consultation forums • Sensitization forums for staff • Number of quarterly reports submitted to Commission on Administrative Justice (CAJ).	• Service Delivery Charter Reviewed and implemented • Sensitization and Consultation forums held with political leaders and PAPs • Quarterly public sensitizations undertaken • Submit Quarterly reports to CAJ • Undertake staff sensitization on customer service	• Citizens' service delivery charter was reviewed and displayed in English and Swahili in all Company receptions • Paid visits to County Governments of Nakuru and Nandi for collaboration in preparation of a documentary on Olkaria-Lessos-Kisumu project. • Sensitizations undertaken in Awendo Isebania and Sultan Hamud Loitoktok • Quarterly reports were submitted to CAJ • Online training of staff on customer service was undertaken in the reporting period.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

Corporate Governance is the practice by which companies are directed and managed in carrying out the business affairs of the Company as per the stakeholders' desires. It is the interaction between the shareholders, Board of Directors, and Company's management in shaping a corporation's performance by making effective strategic decisions to enable it to achieve its goals. This is steered by the Board of Directors and the concerned committees for the Company's stakeholders' benefit.

Appointment and removal of directors

Board appointments shall be made in line with Article 27 of the Constitution of Kenya and as further provided for in *Mwongozo*, the Code of Governance in State Corporations.

The Board of Directors of the Company is appointed pursuant to paragraphs 2 and 3 of the Articles of Association of the Company which refers to the provisions of the State Corporations Act, and which stipulates that the Board shall consists of the following persons:

a) A non-executive Chairman appointed by the President.
b) The Chief Executive appointed by the Cabinet Secretary for the time being responsible for Energy.
c) The Principal Secretary for the time being responsible for Energy or his representative.
d) The Cabinet Secretary in the Ministry for the time being responsible for Finance or his representative.
e) Five other members from the private sector appointed by the Cabinet Secretary for the time being responsible for Energy.

The current Board with nine (9) members is, therefore, properly constituted as provided above. The members possess a broad range of skills and competencies, including legal, finance, human resources, banking, projects, economics and management among others.

Board Committees

The Board of KETRACO has established the following four (4) Board Committees for purposes of delegating its various functions. The Terms of Reference for the Committees are captured in the specific Committee Charters approved by the Board.

i) Technical Committee

The overall purpose of the Technical Committee is to assist the Board in oversight of the Strategy, Planning, Projects, Operations & Maintenance and System Control / Load Dispatch. This is aimed at ensuring value for money, guarantee the highest availability and reliability of our transmission network by employing sound technical principles in accordance with engineering best practice. The Committee oversees the performance of the Company in accordance with the mandate set out in Sessional Paper No. 4 of 2004 and receives regular reports on Power System Planning, Project Progress, System availability and Operations & Maintenance and makes necessary recommendations to the Board as may be appropriate.

ii) Audit & Risk Assurance Committee;

The Committee is constituted in line with Treasury Circular No. 16/2005 on establishment and operationalization of audit committees in the Public Service. The Committee forms a key element in the governance process by providing an independent assurance of the activities of internal controls, external auditors, internal audit, review the effectiveness of the risk management, financial reporting and financial management to the Board of Directors. There is an Audit & Risk Assurance Committee Charter to guide the members in carrying out their mandate, which is outlined in the charter. The Committee routinely invites the Managing Director, and at times the other key staff to attend the meetings. The Manager, Internal Audit is the Secretary to the Committee.

iii) Staff & Remuneration Committee;

There is established a Staff & Remuneration Committee whose mandate includes determining the terms and conditions of service of staff and approval of recommendations for appointment and disciplinary issues of senior staff.

iv) Finance, Strategy & Risk Management Committee;

The Committee is mandated to review, approve and monitor the Company's financial performance. It receives, adopts and submits for approval by the Board financial estimates of the Company's revenue and expenditure for the following financial year including proposals for funding all projects to be undertaken/completed during the year within the time frames laid down in law. The Committee also ensures that the business of the Company is conducted according to commercial principles and that the Company can meet its liabilities. For risk management purposes, it reviews the effectiveness of the financial reporting systems and structures and makes appropriate recommendations to the Board.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

The Board is responsible and accountable to the Government of Kenya, through the Ministry of Energy, in ensuring that the Company complies with the law and the highest standards of corporate governance. During the period under review Board meetings/activities held and attendance was as follows; -

NO	BOARD MEMBER	CLASSIFICATION	Staff & Remuneration Committee	Finance Strategy & Risk Management Committee	Technical Committee	Audit & Risk Assurance	Regular Board Meetings Total No of Meetings;	Special Meetings	Board Self Evaluation	Board Interviews for GM positions	11th Annual General Meeting
1.	Hon. Eng. James Rege	Independent Chairman					3	4	1	3	1
2.	Hon. Capt. Joe Mutambu	Independent Chairman					2	2			
3.	FCPA. Fernandes Barasa	Managing Director	6	4	5	7	5	6	1	15	2
4.	Lizzie Chongoti	Independent Director		4	5		5	6	1	4	2
5.	Arch. Kariuki Muraya	Independent Director			5	7	5	6	1	4	2
6.	Mrs. Grace Ndugu	Independent Director	6			7	5	6	1	15	2
7.	Joakim Kiarie Kamere	Independent Director		2			2	1	1		1
8.	Phillip Mongony	Independent Director	6	4			5	6	1	15	2
9.	Joseph Kariuki	Alternate Director to the CS National Treasury		4		7	5	6	1	4	2
10.	Eng. Julius Mwathani	Alternate Director to the PS Ministry of Energy	6		5		5	6	1	15	2

The Board Charter

KETRACO has put in place mechanisms for a corporate governance framework that is outlined in the Board and Committee Charters approved by the previous Board. The framework ensures separation of functions and duties of the Board and shareholders, the duties of the Board and Management, the duties of the Chairman and Managing Director, and responsibilities of individual directors and the Board as an entity.

The Board Charter which acts as a reference guide for the Directors is inspired by the dictates of good corporate governance. It stipulates the individual and collective responsibilities, powers, duties, obligations and the liabilities of the Directors. It sets out the roles and responsibilities of Directors with respect to its strategic, oversight role, stewardship and fiduciary responsibilities. The Board Charter provides policy direction on issues of accountability, transparency, value addition, legitimacy, and overall credibility and business operations of the Company. The Company observed this governance framework during the year under review.

Roles and functions of the Board

The primary role of the Board is to ensure long-term wealth and prosperity of the Company for the benefit of Shareholders, customers, employees and other stakeholders. Other functions of the Board are as outlined within the Board Manual and the *Mwongozo* Code of Governance. The Directors powers are exercised within the framework of the laws and regulations regulating State Corporations. The Board exercises leadership and good judgment in directing the Company so as to achieve the Company's objectives and is always obligated to act in the best interest of the Company. The Board is responsible for ensuring that the Company is financially viable and properly managed so as to protect and enhance the interests of the Company from time to time.

Conflict of Interest

Directors are prohibited from placing themselves in a position where there is a conflict (actual or potential) between their duties to the Company and their personal interests (including the interest of a family member), the interest of any associated organization or person, or their duties to third parties. All Board members are required to declare their interest in any matter before the Board which might create a potential conflict of interest before such matter is considered and deliberated upon. Where a conflict of interest is declared, a Director is required to exclude himself/herself from any discussion or decision over the subject matter.

At all meetings of the Board therefore, declaration of Conflict of Interest is a standing agenda item and a Board Conflict of Interest Register is circulated to members to record any such interest and Directors are mandated to disclose any real or potential conflict of interest.

Induction and Training

On appointment to the Board and to Board committees, all Directors receive a comprehensive induction on their individual requirements (where applicable) in order to become as effective as possible in their role as a director. These skills and knowledge are updated at regular intervals and designed by the Company Secretary in consultation with the Chairperson.

Benchmarking initiatives are also conducted, where necessary, (with the approval of the parent Ministry) to equip the Board with the necessary exposure required for executing the Company's mandate.

Board and member performance

In order to ensure that the Board is on course in achieving its objectives, it evaluates its performance by use of the criteria set out in the Government provided standard tools for evaluation of Chairpersons, Directors the Chief Executive Officer, and the Company Secretary annually, and file reports with the Principal Secretary, Ministry of Energy and the State Corporations Advisory Committee (SCAC). Forms for the annual performance evaluation are embedded into the eBoard system in line with the SCAC templates.

The following key areas are covered by Board evaluations:

1. Board Processes and accountability;
2. Strategy, financial matters and performance;
3. Compliance with all legal and ethical requirements;
4. Board composition, induction, development and succession;
5. Information and communication to stakeholders;

Board Remuneration

The Directors' remuneration rates are as outlined in the State Corporations Act and by the Salaries and Remuneration Commission. The Directors' fees are paid upon shareholder approval at the Annual General Meeting and concurrence of The National Treasury. KETRACO does not grant personal loans or guarantees to its Directors. Directors' Remuneration Report is on page 62. The Directors' remuneration is approved by the Shareholders at every Annual General Meeting of the Company.

Ethics and conduct

The Company understands the importance of conducting its business in compliance with relevant legal and regulatory principles in order to imbed high ethical standards of business practice. At KETRACO, observation of the code and high standards of integrity is a compulsory requirement and employees are expected to observe the highest standards of professionalism.

Each employee understands the need to embrace and practice good governance of the Company and to maintain its standing for integrity both within and outside the workplace. The Company's Code of Conduct underscores the essential values and strategies that govern the ethical and legal obligations of all employees and the Board of KETRACO. The Code of Conduct is premised on the Constitutional Provisions of Chapter Six (Leadership and Integrity), National Values, Public Officers Ethics Act and other relevant legislation governing the conduct of Public Officers.

Whistle Blowing Policy

KETRACO has a Whistle Blowing Policy which is designed to enable employees, stakeholders, and general public to raise concerns without fear of suffering retribution. The Policy provided for a transparent, reliable, and confidential process for dealing with concerns regarding malpractice or any unethical behaviour.

Succession Plan

The Board is cognizant of the significance of a board succession planning policy. For purposes of information management, the eBoard software offers a secure space for electronically storing critical board documents/information which can be accessed by individual directors at any given point in time. Board appointments are undertaken by the Ministry of Energy on a staggered basis to allow for continuity.

KETRACO committed to undertake a set of activities in the period beginning July 2020 to June 2021 in a performance contract signed with the Government of Kenya through the Ministry of Energy. The targets were aligned with the country's long- and medium-term plans, primarily the Kenya Vision 2030 plan and the Big Four Agenda Initiatives. The annual targets were also in line with KETRACO's 2018-2022 Strategic Plan. This section highlights the achievements of the Company during the reporting period.

FINANCIAL STEWARDSHIP AND FISCAL DISCIPLINE

Absorption of Government of Kenya and Internally Generated Funds

The Company realised an absorption rate of 69% against a target of 100%. In absolute figures, KShs. 6,034 million was absorbed against a target of KShs 8,740 million. Delays in implementation of planned activities due to effects of COVID-19 on both exchequer development budget as well as recurrent budget related activities such as consultancy and trainings impacted negatively on the absorption rates. Nevertheless, the absorption rate increased from the previous year's rate of 58.5%.

Absorption of Externally Mobilized Resources

Implementation of planned projects construction activities was affected by COVID-19 pandemic and delays in disbursement of funds from National Treasury. The pandemic affected not only the contractor's performance but also KETRACO field activities. These impacted on the overall absorption of funds throughout the year. The company was able to absorb KShs. 14,760 million of externally mobilized resources against a target of KShs. 26,682 million, realising an absorption rate of 55%.

Appropriation-in-Aid

KETRACO's Appropriation-in-Aid includes development budget, wheeling and fibre revenues. In the period, the company generated revenue of KShs. 17,560 million, against a target of KShs. 29,420 million. The target could not be met due to delays in implementation of planned projects under the development budget.

Pending Bills

As of June 2021, KETRACO pending bills were at KShs. 3,373 million which is 9.5% of the company's total budget. The pending bills relate to contractual claims under completed transmission projects. Inadequate budget and delayed disbursements hindered meeting the target of reducing pending bills to 1% of the total budget.

SERVICE DELIVERY

1. **Implementation of Citizens' Service Delivery Charter**
   The company reviewed and displayed the Citizens' service delivery charter on receptions at the office and substations, both in English and Swahili. Online training of staff on customer service was undertaken in the reporting period. In addition, a service delivery tracker was also developed to help monitor service delivery progress in the company. The company also developed sign language translation and content videos for the website and the TVs at reception areas.

2. **Application of Service Delivery Innovations**
   KETRACO developed a cloud-based extranet on SharePoint to ensure secure sharing of project related data with stakeholders. The Company also developed Microsoft Intune, an application that helps in managing handheld devices used in capturing data during fieldwork. In addition, the Company rolled out Power Business Intelligence application that helps analyse data in form of dashboards, charts, and reports, easing presentation of Company data.

3. **Resolution of Public complaints**
   The Company resolved most of the complaints received from stakeholders and submitted quarterly reports submitted to the Commission on Administrative Justice. In an effort to proactively disclose information, award of procurement tenders and advertisements were continuously published on the Company website. Inhouse training of staff on customer service was also undertaken in the year under review.

CORE MANDATE

1. **Vision 2030 Flagship Projects/Big Four Agenda Initiatives/Priority Projects**
   KETRACO commissioned the 617.8km (Circuit length) 400/220/132kV Olkaria-Lessos-Kisumu transmission line and 220/66kV Athi River Substations. This increased the length of power transmission network owned by KETRACO by June 2021 to 4,105.7km in circuit length. The Company also constructed 99km under 132kV Kenya Power Transmission Improvement Project.

CORE MANDATE (continued)

1. Vision 2030 Flagship Projects/Big Four Agenda Initiatives/Priority Projects (continued)

The other ongoing projects are at different stages of completion as summarised below.

S. No	Project name	Status
1	220/33kV Ortum, 220/132kV Kitale Substations and Turkwel Substation Bay extension	The Transmission line is complete. A new contractor was procured to finalise the substations.
2	612km 500 HVDC Eastern Electricity Highway (Ethiopia – Kenya transmission line and Substation)	The line is almost complete with only 31km of stringing pending. Converter station is 99% complete.
3	69km 132kV Sondu-Ongeng (Ndhiwa) transmission line and Substation	Stringing of the lines is 83% complete, Ongeng (Ndhiwa) Substation complete. Sondu (Thurdibuoro) Substation 65% complete.
4	Nairobi Ring Substations	Kimuka Substation is 96% complete; construction of Kimuka 4km line in line out is ongoing, Malaa substation is 77% complete.
5	96km 132kV Isinya-Namanga Transmission Line and Substations	Namanga & Isinya Substations complete, Transmission line works are ongoing. Overall progress at 80%
6	96km 400kV Kenya-Tanzania Power Transmission Line	Tower foundation, erection and stringing works are ongoing. Overall progress at 85%.
7	400/220kV Mariakani Substation	Construction is ongoing with an overall project progress of 62%.
8	96Km 132kV Nanyuki-Isiolo-Meru Transmission Line	Overall project progress at 93%, procurement of new contractor for underground cable is underway.
9	132kV Power Transmission System Improvement Projects	Nanyuki-Rumuruti, Lessos Kabarnet, Olkaria Narok and Kitui Wote lines ongoing, 94% complete.
10	247km 220kV Garsen -Bura- Hola - Garissa Transmission Line	Manufacture and delivery of materials at 46%. Gazettement of the line done, wayleave compensations ongoing. Construction of tower foundations underway.
11	210km 132kV Kenya Power Transmission Expansion Project (KPTEP)- Sultan Hamud – Merueshi-Loitoktok 132kV, Isinya-Konza 400KV & Awendo Masaba 132kV	Resettlement Action Plan (RAP) completed for Sultan Hamud-Merueshi- Oloitoktok & Isinya –Konza. Site handed over to the contractor. Preliminary designs on - going.
12	148km 220kV Kamburu-Embu-Kibirigwi-Thika Transmission Line	Gazettement of the transmission line and valuation of land has been undertaken. Design works for line conductors, OPGW and insulators completed. Tower designs are ongoing.
13	61km 132kV Rabai - Bamburi - Kilifi transmission line	Designs at 75% and procurement/delivery at 10%. Foundation works have commenced.
14	53km 220kV Dongo Kundu – Mariakani transmission line	Procurement of Consultant has been done.

2. Substation and Transmission Lines Technical Specification

Technical specifications for transmission lines and substations were fully developed in the year under review.

3. Transmission Lines and Substations Availability

The Company operated and maintained its infrastructure, guaranteeing that transmission lines and substations were available 99.95 percent of the time, surpassing a set target of 99.50 percent.

4. Project Completion Rate

At the end of the financial year, overall project completion rate was at 59.83. Delays in implementing planned activities due to COVID-19's consequences that also affected the performance by some contractors as well as delays in disbursements from the National Treasury all contributed to low completion rate.

IMPLEMENTATION OF PRESIDENTIAL DIRECTIVES

KETRACO distributed 2,000 seedlings to the Community Forest Association of Ngong Forest area, which is traversed by transmission projects such as the 400kV Isinya-Suswa line. This is in line with the presidential directive to achieve 10% minimum forest cover by 2022.

ACCESS TO GOVERNMENT PROCUREMENT OPPORTUNITIES (AGPO)

KETRACO awarded KShs 199,586,668 of the total procurement budget to Youth, Women and Persons with disabilities to supply goods and services, against a target of KShs 536,221,500. This target was largely affected by the Covid-19 pandemic on Company operations.

PROMOTION OF LOCAL CONTENT IN PROCUREMENT

KETRACO procured goods and services worth KShs 1,134,665,782.68 locally, surpassing an annual target of KShs 714,962,000.

CROSS-CUTTING ISSUES

1. Asset management

In the year under review, an updated register of all KETRACO assets was maintained. Boarded items were also disposed on 21 January 2021

2. Youth Internships/industrial Attachments/Apprenticeships

KETRACO offered 92 industrial attachments and 35 internships to students and graduates in the period ending June 2021. The target of 125 was met and surpassed.

3. Competence Management

During the period, KETRACO undertook an institutional skills gap analysis. Staff Training needs assessment was also undertaken through the staff appraisal process. Staff attended various trainings, conferences, and seminars as capacity building initiatives to enhance performance. Knowledge sharing was also enhanced through uploading of training reports and learning material on the Company's SharePoint for access by other staff.

4. Disability Mainstreaming

In implementing affirmative action towards disability mainstreaming, KETRACO developed sign language translation and content videos for the Company website and the reception area TV. Quarterly progress reports were submitted to the National Council for Persons with Disabilities.

5. Gender mainstreaming

A six-member gender mainstreaming committee comprising of two males and 4 females was appointed in the year under review to oversee gender mainstreaming activities in the Company. The committee and 76 staff members were trained on gender mainstreaming and gender-based violence by Power Africa in conjunction with the State Department of Gender. The Company submitted the quarterly reports to the National Gender Equality Commission.

6. Prevention of Alcohol and Drug Abuse

KETRACO undertook a baseline survey on alcohol and drug abuse in the Company and a report compiled on the same. In addition to this, an Alcohol and Drug Abuse (ADA) control committee was constituted. The committee reviewed the ADA policy which was approved by the Board. To support staff with substance abuse disorders, the Company listed Counsellors among the panel of health providers and planned with established rehabilitation centres where employees can get counselling services. Quarterly progress reports were submitted to National Authority for the Campaign against Alcohol and Drug Abuse (NACADA).

7. Prevention of HIV Infections

An online sensitization session was undertaken to staff and their families, and 354 female condoms and 14,696 male condoms distributed to staff both at the headquarters and substations. Quarterly reports were submitted to National AIDS Control Council (NACC).

CROSS-CUTTING ISSUES (continued)

8. Safety and Security Measures

KETRACO deployed critical infrastructure protection unit (CIPU) police officers at KETRACO Suswa converter station, Isinya, Kitui, Mangu, and Lessos substations. Information Security management System (ISMS) was launched and KETRACO certified. Security inspections were undertaken at Suswa converter station, Mwingi, Garissa Kindaruma, Kyeni, Meru, Ishiara, Isiolo, Kitui, Garsen, Galu, Machakos, Lamu, Mariakani, Sultan Hamud, Malindi, and Konza substations. Continuous replication of information in the Remote Disaster Recovery (DR) site was also completed.

9. National Cohesion and Values

Environmental monitoring, stakeholder engagement and community sensitization sessions were undertaken along ongoing transmission line project areas. The Company Human Resource Manual and Code of Conduct was applied in period under review. 153 staff attended a virtual Sensitization on National Cohesion & Values. Environmental and Social Management Plan monitoring was undertaken for Isinya-Namanga and Kenya-Tanzania projects, Nanyuki- Rumuruti and Lessos – Kabarnet and Ethiopia Kenya Lot 6. Stakeholder Engagement and Community sensitization undertaken along Kamburu-Embu-Thika project, Garsen-Hola-Garissa, and Sultan Hamud Loitoktok lines.

10. Road Safety Mainstreaming

The KETRACO Road Safety Committee consisting of 6 staff members was constituted. The committee developed a road safety policy. The committee was also trained on road safety by National Transport and Safety Authority (NTSA). KETRACO management was sensitized on road safety mainstreaming. Quarterly reports were submitted to NTSA.

11. Corruption Prevention

During the year, a corruption risk mitigation implementation report was prepared and presented to the Corruption Prevention/Integrity Committee. Quarterly reports and the annual report were prepared and submitted to the Ethics and Anti-Corruption Commission (EACC).

SUSTAINABILITY REPORTING FOR YEAR ENDED 30 JUNE 2021

Kenya Electricity Transmission Company Limited (KETRACO) has the obligation to plan, design, construct, own, operate and maintain the country's high voltage electricity grid and regional power interconnectors. This primary objective must; however, be twinned with positive impacts to societies that such businesses operate in. These positive impacts include creation of employment opportunities, provision of goods and services, contribution to the economy by paying taxes, contributing towards development of infrastructure and improvement of quality of life for the people.

KETRACO, being an obliging and proactive Company, has mainstreamed corporate social responsibility (CSR)in its operations. Beyond grid matters, the Company has expanded its jurisdiction to improve the well-being of humanity and impact society to be better.

This deliberate move is necessary because it is the society that gives us a "license to operate" and their goodwill is necessary for continued security and room to operate long after our transmission projects construction is over.

Our approach

KETRACO's approach towards CSR is focused on identifying and formulating projects guided by its CSR policy and in response to specific needs that go towards solving a problem that members of the concerned community assess as a priority. To this end, the Company consulted widely internally and beyond on best practices in order to make corporate social responsibility an integral part of its undertakings. During the financial year under review, social, economic and environmental issues were addressed.

Below is a brief highlight of our achievements in each pillar: -

1. **Sustainability strategy and profile -**

   KETRACO ensured that its operations were carried out professionally and in humane manner, considering that construction of transmission projects involves acquisition of land for substations and wayleaves access for the lines. This necessitates compensation and at times resettlement of the Projects Affected Persons (PAPs)hence the need to expedite the process harmoniously. In addition, KETRACO actively participated in several engagements with various stakeholders towards improving their quality of life which translates into creating a better society.

   This was evident in key areas such as education, health and environmental conservation. In addition, KETRACO offered youth internship opportunities to fresh graduates and industrial attachments to ongoing University students for the purpose of transferring skills and future career preparation.

2. **Environmental performance**

   KETRACO's environmental and social impact assessment plans are anchored on environmental laws, regulations, standards and best practices. The Company ensures compliance with all relevant national and international environmental and other statutory regulatory provisions that apply to its projects to ensure sound environmental management practice. The Company undertakes annual environmental audits and has valid permits and licenses for its operations. The Company is guided by the following environmental and social management laws and regulations in its execution of its projects:

   The Environmental Management and Coordination Act, Cap 387; The Environmental Impact (Assessment and Auditing) Regulations, 2003; Environmental Management and Coordination (Environmental Impact Assessment and Audit) Regulations, 2003; Environmental Management and Coordination (Water Quality) Regulations of2006; Environmental Management and Coordination (Waste Management) Regulations of 2006; Environmental Management and Co-ordination (Controlled Substances) Regulations, 2007; The Environmental Management and Co-ordination (Conservation of biological diversity and resources, and access to genetic resources and benefits sharing) Regulations, 2006; The Environmental Management and Coordination (Wetlands, Riverbanks, Lakeshores and seashores management) Regulations, 2009; Environmental Management and Coordination (Noise and Excessive Vibration Pollution Control) Regulations, 2009; Environmental Management and Coordination (Air Quality) Regulations, 2008; Occupational Safety and Health Act (OSHA 2007); Wildlife Management and Conservation Act, 2013;Forest Act 2015; Public Health Act (Cap. 242) 36; The Environment and Land Court Act, 2011; Water Act, 2002.

3. Employee welfare

Competence management

KETRACO has developed many policies that guide recruitment among them being the Gender policy which is in line with a third rule enshrined in the constitution. The skills gap analysis report was received from the consultant and training priority areas picked for discussion during HRAC meeting as intervention for skills gaps identified. The Company also developed reward and performance system policy that help in recognizing performance and sanctions. An ad-hoc committee answerable to HRAC was formed during the year to handle staff appraisals (Performance management review committee).

Safety and security measures

During the year ended 30 June 2021, the Company achieved the following;

1. Championed the roll out of ISO 45001: 2018 – Occupational health and safety management system certification journey in the Company through staff awareness trainings, development of safety procedures and carrying out internal audits. The Section also developed a Safety and Health policy being a management tool for OSH in the organization.

2. Participated in the development of the Energy (Incident and Accident Reporting) Regulations as well being incorporated in the Ministerial OSH Committee.

3. Promotional of safe work through effective incident and accident investigations, OSH inspections /audits, robust risk assessment and monitoring implementations of corrective actions for both operational sites and sites under construction.

4. Sensitized/trained staff and contracted personnel on workplace safety and health measures in the offices and substations. As well as dissemination of vital Osh information to employees.

5. Participated in the management of COVID-19 pandemic through development of guidelines, protocols, and purchase of protective equipment.

6. Enhanced public safety by listening to safety and health concerns of employees and other stakeholders and guiding appropriately.

7. Developed guidelines on statutory occupational safety and health training requirements for the Company.

8. The Section played a key role in ensuring safety and health during the completion and commissioning of Olkaria-Lessos-Kisumu transmission line and associated substations.

9. Participated in the development of the Energy (Incident and Accident Reporting) Regulations.

4. Market place practices-

KETRACO continues to comply with the Treasury Circular No. 09/2015 on creation of the Government Advertising Agency (GAA) to coordinate public sector advertising; and Office of the President Circular No. OP/CAB.58/4A on establishment of MyGov publication. In addition, we are guided by the Company's core values and endeavour to responsibly update our stakeholders on our mandate through various Information, Education and Communication (IEC) materials published in print, broadcast and / or electronic media.

On matters procurement, we complied with 30% of access to government procurement opportunities (AGPO) requirement by ensuring that youth, women and persons with disabilities supplied goods and services. Further, KETRACO complied with 40% Government requirement on local content procurement where goods and services were procured locally by the Company. These procurement opportunities have created diverse financial benefits for the special groups as well as enhancing the KETRACO corporate image and reputation.

During this Financial Year the Company revised its integrity and ethics instruments namely: Corruption and Fraud Prevention Policies, Whistle Blowing Policy and the Gifts and Benefit policy. A sensitization exercise was conducted via Microsoft teams to all staff to enlighten them on the need to promote an ethical culture within and outside the organisation. The policies were also uploaded to the companies SharePoint for ease of reference on any matter of interest. These policies shall also be uploaded to the Company's website for public viewing and reference.

5. Market place practices- (continued)

As part of the signed performance contract on corruption prevention the company updated the Corruption Risk Assessment and mitigation plan which is shared with the Ethics and Anti-Corruption Commission (EACC). On a quarterly basis the corruption prevention committee held update meetings and reported on implementation status with supporting documents to EACC.

On a continuous basis the corruption reporting channels remain operational for use by all. They include a dedicated email address and phone number all uploaded in the Company website. The Company has also installed corruption reporting boxes on each floor at its headquarters in KAWI House.

The Company continued implementing corruption prevention measures as identified in the corruption risk assessment and mitigation plan. In addition, Integrity Committee quarterly meetings were held and quarterly reports of the corruption risk assessment reports and the implementation of the mitigation plans were prepared and submitted to EACC.

6. Community Engagements-

KETRACO has remained committed to engaging with local communities in project affected areas, the general public, sector partners and other stakeholders aiming at cultivating their goodwill, cooperation and amicable association. In this regard, KETRACO ensured that all CSR projects were implemented through a consultative process with stakeholders' right from the initial project planning through to commissioning.

In addition, the host communities in the areas where the projects traverse benefited from employment opportunities by KETRACO and its contractors. This has boosted the living standards of the communities in the project areas.

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

REPORT OF THE DIRECTORS FOR YEAR ENDED 30 JUNE 2021

The directors have pleasure in presenting their report together with the audited financial statements of Kenya Electricity Transmission Company Limited (the "Company") for the year ended 30 June 2021 which show its state of affairs.

1. INCORPORATION

The Company is incorporated under the Kenyan Companies Act, 2015 of the Laws of Kenya. Although incorporated under the Companies Act, the Company is governed under the provisions of State Corporations Act, Cap 446 by virtue of the Company being wholly owned by the Government.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is to design, construct, operate and maintain electricity transmission infrastructure that forms the backbone of Kenya's National Transmission Grid, build interconnectors to facilitate regional power trade, and to wheel electricity to The Kenya Power and Lighting Company Limited and other end users from generators who produce power in bulk.

3. RESULTS

	2020/2021 KShs'000	2019/2020 KShs'000
Profit/(Loss) before taxation	647,988	(623,945)
Taxation charge/(credit)	(225,981)	61,503
Profit/(Loss) for the year transferred to retained earnings	422,007	(571,442)

4. DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year 2020/2021. No dividend was paid in the previous financial year, 2019/2020.

5. DIRECTORS

The directors who served during the year and to the date of this report are set out on page 1.

6. STATEMENT AS TO THE DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to each director at the time this report was approved:

(a) there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and,

(b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

7. TERMS OF APPOINTMENT OF THE AUDITOR

The Auditor General is responsible for the audit of the Company' statutory financial statements in accordance with section 35 of the Public Audit Act, 2015. Section 23(i) of the act empowers the Auditor General to appoint other auditors to carry out the audit on his behalf. Accordingly, Deloitte & Touche LLP were appointed to carry out the audit for year ended 30 June 2021. Messrs. Deloitte & Touche LLP continue in office in accordance with the Company's Articles of association and section 721 of the Kenyan Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditors. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

BY ORDER OF THE BOARD

Secretary

25 January 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the Company keeps proper accounting records that (a) show and explain the transactions of the Company; (b) disclose, with reasonable accuracy, the financial position of the Company and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Kenyan Companies Act, 2015.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

(i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
(ii) selecting suitable accounting policies and applying them consistently; and
(iii)making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Company's ability to continue as a going concern, except for the matter disclosed on note 33 of the financial statements, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Board of Directors on...25...January...2022 and signed on its behalf by:

....	....
Hon. Capt. Joe Musyimi Mutambu	Eng. (CPA) Antony Wamukota – Ag Managing Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020/2021 KShs' 000	2019/2020 KShs' 000
REVENUE			
Revenue from contracts with customers	3	2,799,819	2,748,725
Grants from National Government	4 (a)	2,192,104	2,503,745
Other income	5	20,025	39
TOTAL REVENUE		5,011,948	5,252,509
OPERATING EXPENSES			
Administration costs	6 (a)	(1,520,724)	(1,094,074)
Distribution costs	7 (a)	(569,748)	(922,870)
Credit loss expense on financial assets	7 (b)	97,807	(1,476,012)
Depreciation of property and equipment	13	(2,431,051)	(2,382,280)
Amortization of intangible assets	14	(131,803)	(128,991)
TOTAL OPERATING EXPENSES		(4,555,519)	(6,004,227)
OPERATING PROFIT/ (LOSS)		456,429	(751,718)
Finance income	9	257,035	207,025
Finance costs	10	(65,476)	(88,252)
PROFIT/(LOSS) BEFORE TAXATION		647,988	(632,945)
Income tax (expense)/credit	11(a)	(225,981)	61,503
PROFIT/ (LOSS) FOR THE YEAR		422,007	(571,442)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income/(loss) for the year net of tax		422,007	(571,442)
Earnings per share – basic and diluted (KShs)	12	21,100	(28,572)

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	2020/2021 KShs'000	2019/2020 KShs'000
ASSETS			
Non-current assets			
Property and equipment	13	198,888,249	181,970,282
Intangible assets	14	110,032	112,255
Right of use assets	15	191,364	210,974
Deferred tax asset	26	738,810	673,301
		199,928,455	182,966,812
Current assets			
Trade and other receivables	16(a)	9,726,373	2,177,374
Corporate tax recoverable	11(c)	177,260	172,722
Amounts due from related parties	21(a)	3,911,771	6,612,300
Cash and bank balances	17	7,840,385	3,343,510
		21,655,789	12,305,906
TOTAL ASSETS		221,584,244	195,272,718
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	2,000	2,000
Retained earnings		2,457,739	2,035,732
		2,459,739	2,037,732
Non-current liabilities			
Deferred grant income	20(c)	187,699,438	170,013,099
Amount due to related parties	21(b)	816,608	816,608
Deferred revenue	22	155	155
Lease liabilities	23	193,539	196,537
Borrowings	24	2,935,251	2,994,606
		191,644,991	174,021,005
Current liabilities			
Borrowings	24	800,833	582,102
Deferred grant income	20(c)	2,192,104	2,233,745
Amount due to related parties	21(b)	722,008	713,179
Lease liabilities due within one year	23	29,717	35,605
Trade and other payables	25	18,069,482	11,155,423
Provisions	29(a)	5,665,370	4,493,927
		27,479,514	19,213,981
TOTAL EQUITY AND LIABILITIES		221,584,244	195,272,718

The financial statements on pages 35 to 74 were approved and authorised for issue by the board of directors on ...25 August.2022 and signed on its behalf by:

Hon. Capt. Joe Musyimi Mutambu

Eng. (CPA) Antony Wamukota - Ag Managing Director

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Note	Share capital KShs'000	Retained earnings KShs'000	Total equity KShs'000
At 30 June 2019		2,000	2,607,174	2,609,174
Total comprehensive loss for the year		-	(571,442)	(571,442)
At 30 June 2020		2,000	2,035,732	2,037,732
Total comprehensive income for the year		-	422,007	422,007
At 30 June 2021		2,000	2,457,739	2,459,739

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020/2021 KShs'000	2019/2020 KShs'000
Cash flows from operating activities			
Cash generated from /(used in) operations	27	4,280,757	(5,555,948)
Tax paid	11(c)	(296,028)	(438,452)
Interest received		257,035	207,025
Interest paid		(41,513)	(9,487)
Net cash generated from/(used in) operating activities		4,200,251	(5,796,862)
Cash flows from investing activities			
Purchase of property and equipment	13	(19,349,018)	(12,380,260)
Purchase of intangible assets	14	(129,579)	(47,515)
Proceeds from sale	5	20,024	-
Net cash used in investing activities		(19,458,573)	(12,427,775)
Cash flows from financing activities			
Grants received	20(b)	19,836,802	19,266,698
Payment of lease liability	23	(35,141)	(30,828)
Repayment of borrowings	24	(46,464)	(42,783)
Net cash generated from financing activities		19,755,197	19,193,087
Increase in cash and cash equivalents		4,496,875	968,450
Cash and cash equivalents at beginning of year		3,343,510	2,375,060
Cash and cash equivalents at end of year		7,840,385	3,343,510
Represented by:			
Cash and bank balances	17	7,840,385	3,343,510

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Statement of compliance

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB) and in the manner required by the Kenyan Companies Act, 2015. The financial statements are presented in the functional currency, Kenya Shillings (KShs) and prepared on the historical cost basis except where otherwise stated in the accounting policies below.

For the purpose of reporting under the Kenyan Companies Act, 2015, the balance sheet in the financial statements is represented by the statement of financial position and the statement of profit or loss and other comprehensive income represents the profit and loss account.

The financial statements are rounded to the nearest thousand (KShs'000), except when otherwise indicated.

(b) Changes in accounting policies and disclosure

(i) Adoption of new and revised International Financial Reporting Standards

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

In September 2019, the IASB issued *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are not relevant to the Company in the current financial (annual) period given that it did not hold benchmark interest rate exposures with respect to hedges and financial contracts.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9. The new disclosure requirements are not applicable to the Company for the financial year just ended.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued *Covid-19-Related Rent Concessions (Amendment to IFRS 16)* that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b. Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
c. There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Company did not apply the amendment to IFRS 16; Covid-19 related rent concessions as they did not receive any rent concessions from their lessors.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies and disclosure (continued)

(i) Adoption of new and revised International Financial Reporting Standards (continued)

Amendments to IFRS 3 *Definition of a business*

The Company has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 and IAS 8 Definition of material

The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year.The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.
The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of material or refer to the term 'material' to ensure consistency.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The Company has adopted the amendments included in Amendments to References Conceptual Framework in IFRS to the Conceptual Framework in IFRS Standards for the first time in the current year.Together with the revised *Conceptual Framework*, which became effective upon publication on 29 March 2018, the IASB has also issued *Amendments to References to the* Conceptual Framework in *IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC *Framework* adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies and disclosure (continued)

(ii) New and revised standards that have been issued but are not yet effective

At the date of authorisation of these financial statements, The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

New and Amendments to standards	*Effective for annual periods beginning on or after*
Amendments to IFRS 3: *Reference to the Conceptual Framework*	1 January 2022, with earlier application permitted
Amendments to IAS 16- *Property, plant and equipment-Proceeds before intended use*	1 January 2022, with earlier application permitted
Amendments to IAS 37: *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022, with earlier application permitted
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: *Interest rate benchmark reform-Phase 2*	1 January 2021, with earlier application permitted
Amendments to IFRS 16: *Covid-19 related rent Concessions beyond 30 June 2021*	1 April 2021, with earlier application permitted
Annual improvements to IFRS standards 2018-2020 Cycle: *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities* *IFRS 16 Leases-Illustrative Examples accompanying* *IAS 41 Agriculture – Taxation in fair value measurements*	1 January 2022, with earlier application permitted
Amendments to IAS 8-*Definition of Accounting Estimates*	1 January 2023, with earlier application permitted
Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2021, with earlier application permitted
Amendments to IAS 1 and IFRS Practice Statement 2-*Disclosure of Accounting Policies*	1 January 2023, with earlier application permitted
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an investor and its Associate or Joint Venture*	1 January 2023, with early application permitted.
IFRS 17: *Insurance Contracts*	1 January 2023
Amendments to IAS 1-*Classification of liabilities as current or non-current*	1 January 2023, with earlier application permitted
Amendments to IFRS 10 and IAS 28-*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	*In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.*

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the Company's financial statements.

(iii) *Early adoption of standards*

The Company did not early-adopt any new or amended standards in the year ended 30 June 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of preparation

The financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. They are presented in Kenya Shillings, which is also the functional currency.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Revenue recognition

Revenue from contracts with customers

The Company is in the business of transmission of power and fibre services. Revenue from contracts with customers is recognized when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company has generally concluded that it is the principal in all its revenue arrangements.

The wheeling revenue is based on a fixed amount approved by the Energy and Petroleum Regulatory Authority (EPRA). The rates are reviewed yearly, and adjustments communicated to KETRACO. Revenue from rendering the service is recognised at the point in time when control of the service is transferred to the customer, generally on delivery of electricity to the distribution network of the customer.

Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for rendering a service to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Company has no variable consideration in its revenue contracts with its customers.

Significant financing component

The Company has no significant financing components from its customers.

Government grants

Government grants are recognised as income over the period necessary to match them with the related costs which they are intended to compensate on a systematic basis. Government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to the grants and there is certainity that the grants will be received.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Exchequer funding

Exchequer funding for capital expenditure is recorded when received and then accounted for as deferred grant income. This is credited to profit or loss as grants from national government on a straight-line basis over the expected useful life of the related assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of preparation (continued)

Taxation

Current tax

Current tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled. The tax rates used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Current and deferred tax is recognized as an expense/(income) and included in profit or loss, except to the extent that the tax arises from a transaction which is recognized directly in other comprehensive income or equity. In this case, the tax is also recognized in other comprehensive income or equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax

Expenses and assets are recognised net of the amount of value added tax except;

- when the value added tax incurred on purchase of assets and services are not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the assets or as part of the expense items, as applicable; and,

- when receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of preparation (continued)

Property and equipment

All property, plant and equipment are initially recognized at cost. Such cost includes the purchase price, directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating, the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.
Subsequently, all property and equipment except land, is stated as cost less accumulated depreciation and any accumulated impairment losses recognized.

Depreciation is calculated on straight line method to write-off the cost of property, plant and equipment in equal annual instalments over their estimated useful lives. Depreciation is calculated from the date of purchase of an asset, using the following annual rates:

Capital work in progress	Nil
Transmission lines	2.5%
Substations	2.5%
Aircraft	7%
Machinery	12.5%
Furniture, fittings and office equipment	12.5%
Motor vehicles	25%
Computers and accessories	33.3%
Buildings	2.5%

Depreciation is not charged to land.

The asset's residual values estimated useful lives and methods of depreciation are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis (note 2(ii) and Note 13).

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset at the disposal date) is included in profit or loss in the year the asset is derecognised.

Intangible assets

Costs incurred on computer software are initially accounted for at cost as intangible assets and subsequently at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is calculated on the straight-line basis over the estimated useful lives not exceeding a period of 3 years. Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in profit or loss (note 2 (ii) and note 14).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Impairment of non-current assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in profit or loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of preparation (continued)

Impairment of non-current assets (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For all assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Employee benefits costs

Retirement benefit obligations- normal contributions

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The scheme is funded by contributions from both the Company and employees. The Company and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme.

Retirement benefit obligations- top management

The Company pays gratuity to top management on contract. The gratuity is paid at the end of the contract period at the rate between 15% and 31% of the total basic salary over the contract period. An accrual is made for gratuity based on the rate 15% and 31% per annum.

Other entitlements

The estimated liability for employees accrued leave entitlement at the reporting date is recognised as an expense accrual.

Foreign currencies

The financial statements are presented in Kenya Shillings, which is the Company's functional and reporting currency. In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of preparation (continued)

Foreign currencies (Continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash and short-term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired, less advances from banks repayable within three months from the date of advance, which are subject to an insignificant risk of changes in value.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.

Financial assets

Initial recognition

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in note 1 (c) Revenue recognition.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of preparation (continued)

Financial assets (continued)

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include trade and other receivables, amounts due from related companies and bank and cash balances.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Company does not have any financial assets classified as debt instruments at fair value through OCI.

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of preparation (continued)

Financial assets (continued)

Financial assets at fair value through OCI (debt instruments) (continued)

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have any financial assets classified as equity instruments at fair value through OCI

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

The Company does not have any financial assets classified under this category.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(c) Basis of preparation (continued)

Financial assets (continued)

Impairment of financial assets

For trade receivables, related party receivables and bank balances, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors, banks and the economic environment.

The Company considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and subsequent measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

The Company has not designated any financial liabilities at fair value through profit or loss. The Company also did not have derivatives designated as hedging instruments.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The measurement of financial liabilities depends on their classification as described below:

Trade payables and amounts due to related parties

Trade payables and amounts due to related parties are stated at amortised cost using the effective interest method.

Loans and borrowings

Interest bearing loans are recorded at the proceeds received, net of direct costs. Finance charges, including the premium payable on settlement or redemption, are accounted for on the accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on net basis, or realise the asset and settle the liability simultaneously.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of preparation (continued)

Fair value of assets and liabilities

The Company has no financial instruments that are measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Refer to Note 30.

Borrowings

Borrowing costs directly attributable to acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the periods of the revision and future periods if the revision affects both current and future periods.

2. CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES (Continued)

The following are areas where management has made major judgements and assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Refer to Note 26 for the disclosures on deferred tax.

(ii) Useful life assessment

Property and equipment

Items of property and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The estimated lives of the assets and residual values are assessed at the reporting date and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Further details on property and equipment are given in Note 13.

Intangible assets

Critical estimates are made by directors in determining the useful lives of intangible assets based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances or prospective utilisation of the assets concerned could result in the actual useful lives differing from initial estimates. Further details on intangible assets are given in Note 14.

(iii) Impairment of financial instruments

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for the customers. The provision matrix is based on the Company's historical observed default rates. The Company will revise the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs involves estimation. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables and related party receivables is disclosed in Notes 16(a) and 21(a).

(iv) Contingent liabilities

The directors evaluate the status of any exposures on a regular basis to assess the probability of the company incurring related liabilities. However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Further details on contingent liabilities are given in Note 29.

2. CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES (Continued)

(v) Impairment losses on non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset the company estimates the recoverable amount of the cash generating unit to which the asset belongs. Refer to Notes 13 and 14 for the carrying amounts of the non-financial assets.

(vi) Leases

Judgement is required in determination of the appropriate rate to discount the lease payments and the assessment of whether a right-of-use asset is impaired.

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

	2021 KShs'000	2020 KShs'000
Wheeling revenue	2,668,666	2,668,667
Fibre revenue	131,153	80,058
	2,799,819	2,748,725

Wheeling revenue is based on a fixed amount approved by the Energy and Petroleum Regulatory Authority (EPRA).

4 GRANTS FROM NATIONAL GOVERNMENT

	2021 KSh'000	2020 KSh'000
Recurrent grants received	-	270,000
Capital grants realised (note 20(b))	2,192,104	2,233,745
	2,192,104	2,503,745

These are disbursed through the Ministry of Energy

Recurrent grants	-	270,000
Project funding grants (note 20 (a))	6,816,300	6,575,250
	6,816,300	6,845,250

5 OTHER INCOME

Other income	20,025	39

Other income mostly relates to disposal of Company motor vehicles. The motor vehicles initially belonged to contractors implementing projects and were transferred back to the Company at peppercorn cost on completion of projects for disposal. The amount for the year ended 30 June 2020 related to sale of tender documents.

	2020/2021 KShs'000	2019/2020 KShs'000
6(a) ADMINISTRATION COSTS		
Staff costs (note 6(b))	707,072	716,204
Directors' emoluments	28,106	27,944
Depreciation of right of use assets (note 15)	19,610	19,610
Electricity and water	11,779	5,545
Insurance costs	93,412	33,746
Other maintenance costs	44,692	4,117
Rent and rates expenses	5,011	3,089
Security	67,713	53,661
Corporate communication, postage, telephone, printing and internet	5,605	3,902
Motor vehicle expenses and transport	20,280	136,449
Advertising, printing, stationery and photocopying	30,881	4,247
Staff training expenses	8,649	17,021
Hospitality supplies and services	7,195	955
Bank charges and commissions	1,697	2,600
Auditors' remuneration	6,656	6,424
Legal fees	16,789	(54,572)
Consultancy and Professional fees	58,580	13,966
Realised foreign exchange losses	30,593	32,955
Unrealised foreign exchange losses	204,346	54,647
Other operating expenses	152,058	11,564
	1,520,724	1,094,074

6(b) STAFF COSTS		
Salaries and allowances for permanent staff	606,852	621,962
Wages for temporary staff	1,250	1,656
Compulsory national social security schemes	760	795
Other pension contributions	29,241	28,472
Leave pay and gratuity provisions	40,366	(4,135)
Staff welfare	28,603	67,454
Total	707,072	716,204
The average number of staff at the end of the year was:		
Permanent staff – Management	460	460
Permanent staff – Support	97	92
Total	557	552

	2021 KShs'000	2020 KShs'000
7(a) DISTRIBUTION COSTS		
Maintenance costs for transmission lines	380,447	562,194
Other maintenance costs	189,301	360,676
	569,748	922,870

	2020/2021 KShs'000	2019/2020 KShs'000
7(b) CREDIT LOSS EXPENSES ON FINANCIAL ASSETS		
Provision for ECL –Third parties (note 16(a))	9,752	7,986
Provision for ECL – Related party (note 21(a))	(107,559)	1,468,026
	(97,807)	1,476,012

8 OPERATING PROFIT

Profit for the year has been arrived at after charging:

	2020/2021 KShs'000	2019/2020 KShs'000
Directors' emoluments – fees (note 6(a))	28,106	27,944
Staff costs (note 6(b))	707,072	716,204
Depreciation of property and equipment (note 13)	2,431,051	2,382,280
Amortisation of intangible assets (note 14)	131,803	128,991
Depreciation of right of use assets (note 15)	19,610	19,610
Auditors' remuneration	6,656	6,424
Net foreign exchange loss	234,940	54,647

9 FINANCE INCOME

	2020/2021 KShs'000	2019/2020 KShs'000
Interest income on bank balances	257,035	207,025

10 FINANCE COSTS

	2020/2021 KShs'000	2019/2020 KShs'000
Interest expense on borrowings	39,747	62,775
Interest expense on lease liability(note 23)	25,729	25,477
	65,476	88,252

11 TAXATION

(a) Income tax expense

	2020/2021 KShs'000	2019/2020 KShs'000
Current tax	291,490	252,459
Deferred taxation credit (note 26)	(65,509)	(373,852)
Reduction in tax rate – deferred tax (note 26)	-	59,890
	225,981	(61,503)

11 TAXATION (Continued)

		2020/2021 KShs'000	2019/2020 KShs'000
(b)	Reconciliation of taxation charge to expected taxation based on profit before taxation		
	Profit/(loss) before taxation	647,988	(632,945)
	Tax calculated at the applicable income tax rate of: 6 months - 25%, 6 months - 30% (2020: 6 months - 25%, 6 months - 30%)	178,197	(158,236)
	Tax effect of:		
	Income not subject to tax	-	(625,936)
	Expenses not deductible for tax purposes	22,498	662,780
	Reduction in tax rate	25,123	59,889
	Under provision of deferred tax in prior years	163	
	Taxation charge/(credit)	225,981	(61,503)
(c)	Corporate tax recoverable		
	At 1 July	172,722	(13,271)
	Charge for the year	(291,490)	(252,459)
	Paid during the year	296,028	438,452
	At 30 June	177,260	172,722

12. EARNINGS PER SHARE/(LOSS)

The earnings/(loss) per share is calculated by dividing the profit after tax of KShs 422,007,000 (2020: Loss after tax of KShs (571,442,000)) by the average number of ordinary shares in issue during the year (note 18). There were no dilutive or potentially dilutive ordinary shares as at the reporting date.

13. PROPERTY AND EQUIPMENT

	Freehold land KShs'000	Transmission lines KShs'000	Substation KShs'000	Aircraft KShs'000	Motor vehicles KShs'000	Machinery KShs'000	Furniture and fittings KShs'000	Computer accessories KShs'000	Buildings KShs'000	Capital Work in- Progress* KShs'000	Total KShs'000
Cost											
At 1 July 2020	976,121	85,654,289	4,593,335	804,368	189,536	34,924	153,608	186,127	-	96,578,789	189,171,097
Additions	-	-	-	-	-	-	13,003	14,595	-	19,321,420	19,349,018
Transfer from WIP	96,281	2,696,820	1,207,725	-	-	-	-	-	427,502	(4,428,328)	-
At 30 June 2021	1,072,402	88,351,109	5,801,060	804,368	189,536	34,924	166,611	200,722	427,502	111,471,881	208,520,115
Depreciation											
At 1 July 2020	-	6,371,550	358,944	57,455	116,686	4,366	122,831	168,983	-	-	7,200,815
Charge for the year	-	2,192,022	119,576	57,455	35,434	4,366	8,550	12,758	890	-	2,431,051
At 30 June 2021	-	8,563,572	478,520	114,910	152,120	8,732	131,381	181,741	890	-	9,631,866
Net carrying amount											
At 30 June 2021	1,072,402	79,787,537	5,322,540	689,458	37,416	26,192	35,230	18,981	426,612	111,471,881	198,888,249

*Capital work in progress relates (WIP) to transmission lines and sub- stations whose construction had not been completed as at year end.
There were no assets pledged as security for liabilities.

** Transfer from WIP relates to the transfer of the cost of land, transmission lines, substations and buildings previously reported under Capital work in progress.

13. PROPERTY AND EQUIPMENT

	Freehold land KShs'000	Transmission lines KShs'000	Substation KShs'000	Aircraft KShs'000	Motor vehicles KShs'000	Machinery KShs'000	Furniture and fittings KShs'000	Computer accessories KShs'000	Capital Work in- Progress* KShs'000	Total KShs'000
Cost										
At 1 July 2019	932,626	90,751,318	-	-	189,536	-	145,837	177,002	84,594,518	176,790,837
Additions	-	-	-	-	-	-	-	1,268	12,378,992	12,380,260
Transfer from WIP	43,495	(503,694)	-	804,368	-	34,924	7,771	7,857	(394,721)	-
Reclassification**	-	(4,593,335)	4,593,335	-	-	-	-	-	-	-
At 30 June 2020	976,121	85,654,289	4,593,335	804,368	189,536	34,924	153,608	186,127	96,578,789	189,171,097
Depreciation										
At 1 July 2019	-	4,473,889	-	-	80,134	-	114,764	149,748	-	4,818,535
Reclassification***		(289,653)	289,653	-		-	-	-	-	-
Charge for the year	-	2,187,314	69,291	57,455	36,552	4,366	8,067	19,235	-	2,382,280
At 30 June 2020	-	6,371,550	358,944	57,455	116,686	4,366	122,831	168,983	-	7,200,815
Net carrying amount										
At 30 June 2020	976,121	79,282,739	4,234,391	746,913	72,851	30,558	30,777	17,144	96,578,789	181,970,282

*Capital work in progress relates (WIP) to transmission lines and sub- stations whose construction had not been completed as at year end.
There were no assets pledged as security for liabilities.

** Reclassification relates to the transfer of the cost and accumulated depreciation of substations previously reported under transmission lines.
***For the purposes of statement of cash flows, the additions of property and plant amounting to KShs 14,603,398 (2020: KShs 27,937,478) that had already been paid for have been disclosed as purchases.

13. PROPERTY AND EQUIPMENT (Continued)

Property and equipment include the following items that are fully depreciated:

	Motor vehicles KShs'000	Computer accessories KShs'000	Office equipment, furniture, and fittings KShs'000	Total KShs'000
2021				
Cost	30,915	155,641	89,504	276,060
Nominal depreciation charge	7,729	51,828	11,888	71,445
2020				
Cost	44,217	149,011	88,905	282,133
Nominal depreciation charge	11,055	49,669	11,114	71,837

14. INTANGIBLE ASSETS -COMPUTER SOFTWARE AND LICENSES

	2020/2021 KShs'000	2019/2020 KShs'000
COST		
At beginning of year	470,289	422,774
Additions	129,579	47,515
At end of year	599,968	470,289
ACCUMULATED AMORTIZATION		
At beginning of year	358,133	229,043
Charge for the year	131,803	128,991
At end of year	489,936	358,034
NET BOOK VALUE	110,032	112,255

Intangible assets relate to computer software and licenses. The title of intangible assets is not restricted or pledged as security for liabilities. There are no contractual commitments for acquisition of intangible assets.

15. RIGHT OF USE ASSETS

The Company leases office and storage space as well as certain parcels of land for its various uses. Information about leases in which the Company is a lessee is presented below:

	2020/2021 KShs'000	2019/2020 KShs'000
COST		
At 1 July	230,584	230,584
Additions	-	-
At 30 June	230,584	230,584
ACCUMULATED DEPRECIATION		
At beginning of year	19,610	-
Charge for the year	19,610	19,610
At end of year	39,220	19,610
NET CARRYING AMOUNT	191,364	210,974

16(a) TRADE AND OTHER RECEIVABLES

	2020/2021	2019/2020
Trade receivables (note 16 (b))	57,083	76,518
Deposits and prepayments	1,631,031	1,725,289
Staff receivables (note16 (c))	3,289	5,847
Other receivables	8,072,068	397,066
Gross trade and other receivables	9,763,471	2,204,720
Provision for impairment	(37,098)	(27,346)
Net trade and other receivables	9,726,373	2,177,374

The average credit period on sales of services is 30 days. Deposits and prepayments were made in the ordinary course of business with regard to advance payment to the various projects. Staff receivables mainly relate to per diem advanced to the staff in the normal course of business.

Trade and other receivables are carried net of expected credit losses (ECLs)/impairment losses. The movement in expected credit losses/impairment losses is as set out below:

	2020/2021 KShs'000	2019/2020 KShs'000
At the beginning of the year	27,346	19,360
Provision for expected credit losses	9,752	7,986
	37,098	27,346

	2020/2021	2019/2020
	KShs'000	KShs'000
16(b) TRADE RECEIVABLES		
Trade receivables (note 16(a))	63,679	76,518
Provision for doubtful receivables	(6,596)	-
	57,083	76,518

30 June 2021	0-90days	91-365days	>365days	Totals
	KShs 000	KShs 000	KShs 000	KShs 000
Expected credit loss rate	0.0%	0.25%	100.0%	
Estimated total gross carrying amount at default	29,153	28,000	6,526	63,679
Expected credit loss	-	70	6,526	6,596

As at 30 June 2021, the Company trade receivables with initial value of KShs 6,526,863 (2020: KShs 228,000) were fully provided for.

30 June 2020	0-90days	91-365days	>365days	Totals
	KShs 000	KShs 000	KShs 000	KShs 000
Expected credit loss rate	0.0%	0.3%	100.0%	
Estimated total gross carrying amount at default	76,518	-	-	76,518
Expected credit loss	-	-	-	-

16(c) STAFF RECEIVABLES

	2020/2021	2019/2020
	KShs'000	KShs'000
Gross staff per diem	3,289	5,847
Amounts due within one year	3,289	5,847
Amounts due after one year	-	-
	3,289	5,847

17 CASH AND BANK BALANCES

	2020/2021	2019/2020
Cash at bank	7,839,385	3,242,510
Cash in hand	1,000	1,000
	7,840,385	3,343,510

18 SHARE CAPITAL

	2020/2021	2019/2020
Authorised, issued and fully paid:		
20,000 fully paid ordinary shares of KShs 100 each	2,000	2,000

The ordinary shares carry one vote each.

19 RETAINED EARNINGS

The retained earnings represent amounts available for distribution to the entity's shareholders. Undistributed retained earnings are utilised to finance the entity's business activities.

20. DEFERRED GRANT INCOME

The Company receives grants from the Government of Kenya for the construction of transmission lines. The grants are amortised to profit or loss over the useful lives of the related assets.

	2020/2021 KShs'000	2019/2020 KShs'000
(a) Deferred grant income reconciliation		
Direct component*		
Deferred grant income brought forward	65,278,989	59,858,158
Additions in the year	6,816,300	6,575,250
Amortisation	(1,179,889)	(1,154,419)
Deferred grant income carried forward	70,915,400	65,278,989
Indirect component**		
Deferred grant income brought forward	106,967,855	95,355,733
Received in the year	13,020,502	12,691,448
Amortisation	(1,012,215)	(1,079,326)
Deferred grant income carried forward	118,976,142	106,967,855
Total direct and indirect components (note 20(b))	189,891,542	172,246,844
(b) Total reconciliation		
Deferred grant income at 1 July	172,246,844	155,213,891
Additions:		
Direct component	6,816,300	6,575,250
Indirect component	13,020,502	12,691,448
At 30 June 2021	19,836,802	19,266,698
Amortization:		
Direct component	(1,179,889)	(1,154,419)
Indirect component	(1,012,215)	(1,079,326)
	(2,192,104)	(2,233,745)
Deferred grant income carried forward	189,891,542	172,246,844
(c) Amounts will be amortised as below:		
Grant income to be amortised within one year	2,192,104	2,233,745
Grant income to be amortised after one year	187,699,438	170,013,099
At the end of the year	189,891,542	172,246,844

*The direct component relates to grant received directly from Government of Kenya.

**Indirect grants are those grants given to the government of Kenya by the various donors to fund projects executed by KETRACO. The grant agreements are between the Government and the donors with KETRACO acting as the executing body on behalf of the government.

21 AMOUNT DUE FROM/TO RELATED PARTIES

The Government of Kenya is the principal shareholder in Kenya Electricity Transmission Company Limited holding 100% equity interest. The Government also holds 50.1% and 70% of the equity interest in The Kenya Power and Lighting Company Limited (KPLC) and Kenya Electricity Generating Company Limited (KenGen), respectively. The Company is, therefore, related to KPLC and KenGen through common shareholding.

The following transactions were carried out with related parties:

(a) Outstanding balances arising from services rendered and grant allocation:

	2020/2021 KShs'000	2019/2020 KShs'000
Kenya Power and Lighting Company Limited	5,897,754	6,114,389
Ministry of Energy	-	2,591,453
	5,897,754	8,705,842
Provision for expected credit losses	(1,985,983)	(2,093,542)
	3,911,771	6,612,300

As at 30 June 2021, the Company's related party receivables with initial value of KShs 1,985,983,057 (2020: KShs 2,093,542,000) were fully provided for.

The Company wheels electricity from the independent power producers to KPLC for onward transmission to end users. The significant increase in Company related party balances is mainly due to non-collection of KPLC balances brought forward and wheeling revenue charged in the period.

The movement in expected credit losses/impairment losses is as set out below:

	2020/2021 KShs'000	2019/2020 KShs'000
At the beginning of the year	2,093,542	625,516
Provision for expected credit losses	(107,559)	1,468,026
	1,985,983	2,093,542

Ageing analysis

30 June 2021	Current KShs 000	31-60days KShs 000	61-365 days KShs 000	>365days KShs 000	Totals KShs 000
Expected credit loss rate	0%	2.4%	3.6%	66.3%	
Estimated total gross carrying amount at default	257,971	257,971	2,553,025	2,828,787	5,897,754
Expected credit loss	-	6,191	91,910	1,887,882	1,985,983

30 June 2020	Current KShs 000	31-60days KShs 000	61-365 days KShs 000	>365days KShs 000	Totals KShs 000
Expected credit loss rate	0%	2.4%	3.6%	66.3%	
Estimated total gross carrying amount at default	2,844,976	253,524	2,575,263	3,032,079	8,705,842
Expected credit loss	6,085	6,085	71,103	2,010,269	2,093,542

21 AMOUNT DUE FROM/TO RELATED PARTIES (continued)

(b) Payables to related party

	2020/2021 KShs'000	2019/2020 KShs'000
Kenya Power and Lighting Company Limited	1,538,616	1,529,787
Current Portion	722,008	713,179
Non-current Portion	816,608	816,608

The current portion relates to maintenance cost carried out on the transmission lines by Kenya Power and Lighting Company Limited (KPLC) on behalf of Kenya Electricity Transmission Company Limited (KETRACO). The non-current component relates to the partial cost incurred by KPLC in the construction of Kisii- Chemosit line which was transferred to KETRACO.

(c) Services rendered and government grants

(i) The Kenya Power and Lighting Company Limited (KPLC)

	2020/2021 KShs'000	2019/2020 KShs'000
Sales of services – Wheeling revenue	2,668,667	2,668,667
Purchase of services - Operating and maintenance expense	569,748	922,870

(ii) Government of Kenya

	2020/2021 KShs'000	2019/2020 KShs'000
Exchequer funding for recurrent expenditure	-	294,000
Grants received during the year	6,816,300	13,184,115
	6,816,300	13,478,115

The Company receives funds from Government of Kenya for its recurrent and development expenditure. The Government finances the various projects implemented by KETRACO through non-refundable interest free grants.

(iii) Key management Compensation

	2020/2021 KShs'000	2019/2020 kShs'000
(a) Directors' emoluments		
Fees for services as directors	4,798	3,130
Other emoluments	23,307	39,745
	28,105	42,875
(b) Compensation to CEO		
Short term employee benefits	9,650	9,650
Other long-term benefits	4,997	2,691
	14,647	12,341
(c) Compensation to key management		
Short term employee benefits	132,958	105,428
Other long-term benefits	4,041	32,964
	136,999	138,392

22 DEFERRED REVENUE

The balance relates to performance guarantee that was recalled for the construction of the Nairobi Ring Substations - Lot A and B. It arose because the contractor (Ibedrola Ingenieria) was in breach of its obligations as specified in the contract. KETRACO received the cash after recalling of the performance guarantee. The case was concluded in 2019 and the balance utilized to settle part of the award to the contractor.

23 LEASE LIABILITIES

	2020/2021 KShs'000	2019/2020 KShs'000
The movement in the lease liabilities is as follows:		
Balance at 1 January	232,142	230,584
Payment of lease liabilities	(35,141)	(30,828)
Interest on lease liabilities	25,729	25,477
Unrealised foreign exchange losses	526	6,909
At 30 June	223,256	232,142
Amounts due for settlement within 12 months	29,717	35,605
Amounts due for settlement after 12 months	193,539	196,537
At the end of year	223,256	232,142

The maturity analysis of the undiscounted lease payments is summarized below:

Maturity Analysis

Year 1	29,717	35,605
Year 2	25,498	30,332
Year 3	13,215	25,944
Year 4	11,102	19,924
Year 5	11,839	17,663
Onwards	131,885	102,674
Lease liabilities	223,256	232,142

The Company does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Company's Finance function. The lease obligations are for the office and storage space as well as certain parcels of land

The Company is not committed to any arrangements that are short term as at year end. The total cash outflow for leases amount to KShs. 35 million (2020: KShs. 31 million). There are no restrictions or covenants imposed by lessors and the Company did not enter into any sale and leaseback transactions during the year (2020: KShs. nil).

24 BORROWINGS

	2020/2021 KShs'000	2019/2020 KShs'000
Balance at 1 July	3,576,708	3,465,074
Repayments of external borrowings during the year	(46,464)	(42,783)
Unrealised foreign exchange losses	175,965	101,129
Accrued interest	29,875	53,288
Balance at 30 June	3,736,084	3,576,708
Maturity analysis:		
Amounts due within one year (current portion)	800,833	582,102
Amounts due after one year (non-current portion)	2,935,251	2,994,606
	3,736,084	3,576,708

The analysis of both external borrowings are as follows;

	2020/2021	2019/2020
External borrowing; -		
Renminbi denominated loan from Exim Bank of China	2,770,319	2,546,957
Japanese yen denominated loan from Japan Bank for International Corporation	965,765	1,029,751
	3,736,084	3,576,708

The Company finalised novation agreements transferring ownership of the Sondu-Miriu, Kisii-Chemosit and Kamburu-Meru transmission lines from KPLC and KenGen to KETRACO, the loans used to construct the lines are payable to the Japan International Co-operation Agency and the Export-Import Bank of China. Both facilities are repayable in 60 biannual instalments at an interest rate of 0.75% and 2.5%, respectively. The loans are guaranteed by the Government of Kenya. The projects have now been transferred to KETRACO.

25 TRADE AND OTHER PAYABLES

	2020/2021 KShs'000	2019/2020 KShs'000
Trade payables	10,199,489	8,250,618
Accruals	7,869,993	2,904,805
	18,069,482	11,155,423

Trade payables mainly relate to domestic and foreign trade creditors, wayleaves and goods received/invoice received payables.

The accruals mainly relate to amounts payable to the contractors in relation to the construction of transmission lines.

26 DEFERRED TAX ASSET

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rate of 30% (2019 – 30%). The make-up of the deferred tax asset in the year and the movement thereon is presented below:

	2020/2021 KShs'000	2019/2020 KShs'000
Movement in the deferred tax account is as follows:		
At start of year	673,301	359,339
Tax impact through reduction of corporate tax rate	-	(59,890)
	673,301	299,449
Charge to profit or loss (note 11)	65,509	373,852
	738,810	673,301

	1 July 2020 KSh'000	Profit or loss KSh'000	Equity KSh'000	30 June 2021 KSh'000
The net deferred tax asset is attributable to the following items:				
Excess depreciation over capital allowances	17,752	25,088	-	42,840
Leave pay provision	5,388	12,135	-	17,523
Staff gratuity provision	11,688	(6,278)	-	5,410
Provision for directors' fees	3,168	1,642	-	4,810
Allowance for ECL	530,222	76,702	-	606,924
Unrealised exchange loss	105,083	(43,780)	-	61,303
	673,301	65,509	-	738,810

	1 July 2020 KSh'000	Profit or loss KSh'000	Equity KSh'000	30 June 2020 KSh'000
The net deferred tax asset is attributable to the following items:				
Excess depreciation over capital allowances	15,965	1,787	-	17,752
Leave pay provision	18,357	(12,969)	-	5,388
Staff gratuity provision	13,901	(2,213)	-	11,688
Provision for directors' fees	4,201	(1,033)	-	3,168
Allowance for ECL	193,462	336,760	-	530,222
Unrealised exchange loss	113,453	(8,370)	-	105,083
	359,339	313,962	-	673,301

27. CASH GENERATED FROM OPERATIONS

	2020/2021 KShs '000	2019/2020 KShs '000
Reconciliation of profit before taxation to cash generated from operations:		
Profit/(loss) before taxation	647,988	(632,945)
Adjustments for:		
Depreciation on property and equipment (note 13)	2,431,051	2,382,280
Amortization of intangible assets (note 14)	131,803	128,991
Depreciation of right of use assets (note 15)	19,610	19,610
Amortization of deferred grant income (note 20(b))	(2,192,104)	(2,233,745)
Unrealized exchange losses	204,346	108,038
Finance income	(257,035)	(207,025)
Finance costs	65,476	88,252
Gain on disposal of Assets	(16,239)	-
Changes in working capital:		
(Increase)/decrease in trade and other receivables	(7,548,999)	(26,797)
Decrease/(increase) in amount due from related parties	2,700,529	(2,197,910)
Increase in amount due to related parties	8,829	83,864
Decrease in deferred revenue	-	(1,654)
Increase/(decrease) in trade and other payables	8,085,502	(3,066,907)
Cash generated from / (used in) operations	4,280,757	(5,555,948)

28 CAPITAL EXPENDITURE COMMITMENTS

	2020/2021 KShs'000	2019/2020 KShs'000
Authorised and contracted for	13,020,502	9,528,672
Authorised but not contracted for	6,816,300	13,184,115
	19,836,802	22,712,787

Authorised and contracted for commitments relates to donor funded contract balances for the construction of transmission lines as at 30 June 2021.

Authorised but not contracted for commitments relates to Government of Kenya contract balances for the construction of transmission lines as at 30 June 2020.

29 PROVISIONS AND CONTINGENT LIABILITIES

(a) PROVISIONS

	2020/2021 KShs'000	2019/2020 KShs'000
Provisions	5,665,370	4,493,927

Some projects have faced delays in completion due to challenges in obtaining wayleaves resulting in extension of the duration of the projects beyond the original contract period. Cost overruns and accumulated costs of idling resources are considered for reimbursement after a claims review mechanism is completed.

(b) CONTINGENT LIABILITY

	2020/2021 KShs'000	2019/2020 KShs'000
Legal claims	1,057,723	1,930,485

Contingent liabilities consist of ongoing court cases relating to acquisition of wayleaves and contractors' claims. The Directors evaluate the status of these exposures on a regular basis to assess the probability of incurring related liabilities.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The management assessed that the fair values of cash and cash equivalents, trade receivables, amounts due from related parties, trade payables, amounts due to related parties and current loans to be the approximate value of their carrying amounts largely due to the short-term maturities of these instruments (less than 90 days). The fair value of the non-current loan has been determined by computing the present value of future cash out flows at the rate of 0.75% and 2.5% for Japan International Co-operation Agency and Export-Import Bank of China loans respectively, over the loan period.

Fair value hierarchy

The fair value information on the assets measured at fair value is included below by level of the fair value hierarchy. These are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices); and
(iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
30 June 2021				
Liability				
Bank loans	-	-	-	-
31 June 2020				
Liability				
Bank loans	-	3,601,509	-	3,601,509

31 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currencies. The Company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effects of such risks on its performance by setting acceptable levels of risk. The Company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Company's financial risk management objectives and policies are detailed below:

(i) Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables. The board of directors sets the Company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. However, Kenya Power Lighting Company Limited debts are analyzed based on country credit rating as the Company is partially owned by the Government of Kenya. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade and other receivables are written off after all collection efforts have been exhausted.

31. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (Continued)

The amounts that best represent the Company's maximum exposure to credit risk as at 30 June 2021 were as follows:

	Fully performing	Past due	Impaired	Total
	KShs '000	KShs '000	KShs '000	KShs '000
At 30 June 2021				
Trade receivables	63,679	-	(7,135)	56,544
Other receivables	2,382,814	-	(29,963)	2,353,381
Amounts due from related parties	1,801,350	4,096,404	(1,985,983)	3,911,771
Bank balances	7,838,846	-	-	7,838,846
	12,086,689	4,096,404	(2,023,081)	14,160,012
At 30 June 2020				
Trade receivables	76,518	-	-	76,518
Other receivables	402,913	-	(27,225)	375,688
Amounts due from related parties	2,591,453	6,114,389	(2,093,542)	6,612,300
Bank balances	3,242,510	-	-	3,242,510
	6,313,394	6,114,389	(2,120,767)	10,307,016

The customers under the fully performing category are paying their debts as they continue trading.

The bank balance consists of KShs 319,652,553 held in escrow accounts (2020 – KShs 399,255,000), the remainder is held in current accounts.

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Company has significant concentration of credit risk on amounts due from KPLC. However, the Company has no collateral holdings.

Ultimate responsibility for liquidity risk management rests with the Company's directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

31 FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

The table below represents cash flows payable by the Company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant. The liabilities will, however, be disposed of when funding is received.

	Less than 1 month	Between 3-12 months	Over 12 months	Total
	KShs '000	KShs '000	KShs '000	KShs '000
At 30 June 2021				
Trade payables	10,163,146	-	-	10,163,146
Due to KPLC	-	722,008	816,608	1,538,616
Borrowings	-	800,833	2,935,251	3,736,084
Lease liability	-	29,717	193,539	223,256
	10,163,146	1,552,558	3,945,398	15,661,102
At 30 June 2020				
Trade payables	8,250,618	-	-	8,250,618
Due to KPLC	-	713,179	816,608	1,529,787
Borrowings	-	582,102	2,994,606	3,576,708
Lease liability		35,605	196,537	232,142
	8,250,618	1,330,886	4,007,751	13,589,255

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Company on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

(a) Foreign currency risk

The Company has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and translation at the time of payment is done using the prevailing exchange rate. The following table demonstrates the effect on the Company's profit before tax and equity of applying the sensitivity for a reasonable possible change in the exchange rate of the main transaction currencies, with all other variables held constant.

31 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

(b) Foreign currency risk (Continued)

			Effect on profit before tax	Effect of equity
	Change in USD rate		KShs'000	KShs'000
2021		2%	(65,401)	(45,780)
		-2%	65,401	45,780
2020		2%	(169,199)	(112,119)
		-2%	169,199	112,119
2020		2%	(58,269)	(40,823)
		-2%	58,269	40,823
	Change in YEN rate			
2021		2%	(46,543)	(32,580)
		-2%	46,543	32,580
2020		2%	(20,595)	(14,417)
		-2%	20,595	14,417
	Change in YUAN rate			
2021		2%	(48,628)	(34,039)
		-2%	48,628	34,039
2020		2%	(50,939)	(35,657)
		-2%	50,939	35,657

(c) Interest rate risk

Interest rate risk is the risk that the Company's financial condition may be adversely affected as a result of changes in interest rate levels. The interest rate risk exposure arises mainly from interest rate movements on the Company's deposits and borrowings. This exposes the Company to cash flow interest rate risk.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates. Interest on Yuan and Yen denominated loans are fixed at 0.25% and 0.75%, respectively.

Sensitivity analysis

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

	Carrying amount
30 June 2021	KShs
Assets	
Bank balances	3,191,244
Interest rate sensitivity gap	3,191,244
30 June 2020	
Assets	
Bank balances	2,021,763
Interest rate sensitivity gap	2,021,763

31. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

(a) Interest rate risk (continued)

Sensitivity analysis (continued)

	2020/2021 KShs 000	2019/2020 KShs, 000
Effect on profit before tax of a +2% change in interest rates	63,825	40,435
Effect on profit before tax of a -2% change in interest rates	(63,825)	(40,435)
Effect on equity +/(-)	44,677	28,305

(iv) Capital management

Capital managed by the Company is the equity attributable to the equity holders. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratio in order to support its business.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders. No changes were made in the objectives, policies or processes during the years ended 30 June 2021 and 30 June 2020.

The Company monitors capital using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total of interest-bearing loans and borrowings, trade and other payables less cash and cash equivalents.

	2020/2021 KShs'000	2019/2020 KShs'000
Share capital	2,000	2,000
Retained earnings	2,457,739	2,035,732
Equity	2,459,739	2,037,732
Total borrowings	3,747,667	3,576,708
Trade and other payables	19,052,083	11,155,423
(Less): cash and cash equivalents (Note 17)	(7,840,385)	(3,343,510)
Net debt	14,959,365	11,388,621
Total capital	17,419,104	13,426,353
Gearing ratio	14%	15%

The major factors that impact on the equity of the Company include the following:

- revenue received from wheeling
- operation and maintenance cost
- cost of operating the transmission business
- cost of expanding the business to ensure that capacity growth is in line with electricity demand
- taxation
- dividends

31. FINANCIAL RISK MANAGEMENT (Continued)

(iv) Capital management (Continued)

The Company uses Power System Development Planning process, which forecasts long-term growth in electricity demand; evaluates the alternative means to meet and manage that demand and comes up with a Least Cost Power Development Plan. The planning process determines a forward electricity cost curve (the Long Run Marginal Cost), which will give an indication of the size of the price increases that the Company requires in order to be sustainable over the medium and long term. Adjustment of the tariffs for the electricity business is regulated and is subject to the process laid down by the Energy and Petroleum Regulatory Commission (EPRA).

The electricity business is currently in the growth phase driven by a rise in demand and Government policy. The funding of transmission capacity is to be obtained from exchequer funding, donor funding from Local and international institutions and cash generated from wheeling business. The adequacy of electricity tariffs allowed by the regulator and the level of Government support are key factors in the sustainability of the Company.

32. INCORPORATION

The Company is incorporated in Kenya under the Kenyan Companies Act, 2015 and is domiciled in Kenya.

33. GOING CONCERN

The Company's current liabilities exceed the current assets by KShs. 5.8 billion (2019/2020: KShs. 6.9 billion). The Company may, therefore, not meet its short-term obligations as and when they fall due. However, the Company is 100% owned by the Government of Kenya which secures financing for various projects for implementation by KETRACO. Further, the Company recorded a profit of KShs. 422 million for the year ended 30 June 2021. In addition, KETRACO, receives funding from the exchequer through budgetary allocation. The directors, therefore, are confident of continued support from the Government of Kenya and other development partners for the foreseeable future. Consequently, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern. The financial statements have been prepared on the basis of accounting policies applicable to a going concern.

34. EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting events after the reporting period.

35. CURRENCY

These financial statements are presented in Kenya Shillings (KShs '000')

APPENDIX I: STATEMENT OF COMPARISON OF BUDGET VS ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021

Details	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Performance Difference	% of Utilization	Explanation of the variance
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	
KShs	'000'	'000'	'000'	'000'	'000'		
Revenue							
Wheeling Revenue	2,668,667	-	2,668,667	2,668,667	-	0%	N/A
Other Incomes -Fibre Optic	70,000	-	70,000	131,153	61,153	47%	Existing customers were connected to new transmission lines
Other incomes - Interest Income and Sale of motor vehicle	-		-	2,469,162	277,060	100%	Recognition of deferred income which is non cash item that had not been budgeted for
Total Revenue	**2,738,667**	-	**2,738,667**	**5,268,982**		**11%**	
Expenses							
Bank charges	684		684	1,697	(1,013)	-60%	Activities during the year were more than what had been planned for
Directors fees and Expenses	30,000	-	30,000	28,106	1,894	7%	N/A
Staff Costs	902,086		902,086	678,302	223,784	33%	There were fewer activities in the year than were budgeted for
Staff Traveling	104,937		104,937	40,100	64,837	162%	There were fewer activities in the year than were budgeted for
Staff Training	15,960		15,960	8,649	7,311	85%	There were fewer activities in the year than were budgeted for
Rent	2,907		2,907	125	2,782	2219%	There were fewer activities in the year than were budgeted for
Motor vehicle running cost	23,100		23,100	19,623	3,477	18%	There were fewer activities in the year than were budgeted for
Depreciation	-		-	2,582,465	(2,582,465)	-100%	Depreciation is a non cash, non budgetable item
Professional fees and consultancy	29,335		29,335	26,364	2,971	11%	There were fewer activities in the year than were budgeted for
Administration and other operating costs	175,239		175,239	130,235	45,004	35%	There were fewer activities in the year than were budgeted for
Operation and maintenance costs	1,411,119	-	1,411,119	1,105,328	305,791	28%	There were fewer activities in the year than were budgeted for
Total Expenditure	**2,695,367**	-	**2,695,367**	**4,620,994**		0%	
Surplus	**43,300**	-	**43,300**	**647,988**			

KENYA ELECTRICITY TRANSMISSION COMPANY LIMITED

APPENDIX II: INTER-ENTITY TRANSFERS

a.	Development Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		18.09.2020	1,241,250,000	FY 2020/2021
		28.02.2021	541,250,000	FY 2020/2021
		28.02.2021	1,082,500,000	FY 2020/2021
		18.02.2021	250,000,000	FY 2020/2021
		14.04.2021	500,000,000	FY 2020/2021
		03.03.2021	86,810,090	FY 2020/2021
		27.04.2021	863,750,000	FY 2020/2021
		07.05.2021	773,800,000	FY 2020/2021
		23.04.2021	3,829,151,645	FY 2020/2021
		22.05.2021	99,536,534	FY 2020/2021
		06.07.2021	863,750,000	FY 2020/2021
		08.07.2021	700,000,000	FY 2020/2021
		Total	**10,831,798,269**	

The above amounts have been communicated to and reconciled with the parent Ministry

General Manager - Finance
Kenya Electricity Transmission Company

Sign---------------

Head of Accounting Unit
Ministry of Energy

Sign---------------

APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KShs	Capital Fund KShs	Others - External Financiers-KShs	Total Transfers during the Year-KShs
Ministry of Energy	18.09.2020	Development	1,241,250,000	1,241,250,000	-	1,241,250,000
Ministry of Energy	28.02.2021	Development	541,250,000	541,250,000	-	541,250,000
Ministry of Energy	28.02.2021	Development	1,082,500,000	1,082,500,000	-	1,082,500,000
Ministry of Energy	18.02.2021	Development	250,000,000	250,000,000	-	250,000,000
Ministry of Energy	14.04.2021	Development	500,000,000	500,000,000	-	500,000,000
JICA via Ministry of Energy	03.03.2021	Development	86,810,090	-	86,810,090	86,810,090
Ministry of Energy	27.04.2021	Development	863,750,000	863,750,000	-	863,750,000
Ministry of Energy	07.05.2021	Development	773,800,000	773,800,000	-	773,800,000
JICA via Ministry of Energy	23.04.2021	Development	3,829,151,645	-	3,829,151,645	3,829,151,645
Ministry of Energy	22.05.2021	Development	99,536,534	-	99,536,534	99,536,534
Ministry of Energy	06.07.2021	Development	863,750,000	863,750,000	-	863,750,000
Ministry of Energy	08.07.2021	Development	700,000,000	700,000,000	-	700,000,000
Total			**10,831,798,269**	**6,816,300,000**	**4,015,498,269**	**10,831,798,269**

APPENDIX IV: PROJECTS IMPLEMENTED BY KENYA ELECTRIC TRANSMISSION COMPANY

	Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements(Yes/No)
1	Exim Funded Projects	KETRACO/PT/010 /2012-LOT 1A KETRACO/PT/010 /2012-LOT 1B KETRACO/PT/010 /2012-LOT 3A KETRACO/PT/010 /2012-LOT 3B	Exim Bank of India	6 years	USD 61,600,000	Yes	Yes
2	Olkaria-Lessos-Kisumu TL	KETRACO/PT/005 /2014-LOT 1 KETRACO/PT/005 /2014-LOT 2 KETRACO/PT/005 /2014-LOT 3	JICA	4 years	JPY 12,410,000,000	Yes	Yes
3	Nanyuki-Isiolo-Meru TL	MOE-P4-2011	KBC Bank, Belgium	2 years	EUROS 14,000,000	No	Yes
4	Sondu-Homabay-Ndhiwa-Awendo	MOE 2/11/2012	KBC Bank, Belgium	3 years	EUROS 16,000,000	No	Yes
5	Kenya Power Transmission Expansion Project	MOE&P/KPTEP-01-2015	EXIM Bank of China	3 years	RMB 677,068,226	No	Yes
6	Mariakani Substation	KETRACO/PT/017/2014	ADB	2 years	SD 23,846,925	Yes	Yes
7	Mombasa-Nairobi	KETRACO/1/6/09-LOT 1 KETRACO/1/6/09-LOT 2 KETRACO/1/6/09-LOT 3	AfDB EIB AFD	8 years	UA 30,386,965 EURO. 60,000,000 EURO. 60,000,000	Yes	Yes
8	Nairobi Ring (Suswa – Isinya and substations)	KETRACO/PT/017/2011 KETRACO/PT/15/2015	AFD	8 years	EURO. 78,500,000	Yes	Yes
9	Lessos - Tororo (Equitorial Nile lake grids)	KETRACO/PT/007/2012 KETRACO/PT/013/2012.	AfDB	8 years	UA 21,416,407.12	Yes	Yes
10	Eastern Electricity Highway	KETRACO/PT/011/2016	IDA,ADB,AFD	5 Years	USD 441M,UAC 75M,EUR 91M	Yes	Yes
11	Garsen Hola Garissa	MOE-CAMCE-01-2012	EXIM CHINA	3 Years	RMB 584M	No	Yes
12	Nyahururu – Nanyuki	KET/2/9/4/98	ADB	8 YEARS	USD 15,191,617.89	Yes	Yes
		KET/2/9/4/98	ADB	8 YEARS	KShs 547,699,841	Yes	Yes
13	Lessos – Kabarnet	KET/2/9/4/99	ADB	8 YEARS	USD 10,028,916	Yes	Yes
		KET/2/9/4/99	ADB	8 YEARS	KShs403,309,135	Yes	Yes
14	Olkaria – Narok	KET/2/9/4/101	ADB	8 YEARS	USD 13,835,047	Yes	Yes
		KET/2/9/4/101	ADB	8 YEARS	KShs 15,280,440	Yes	Yes
16	Bomet – Sotik	KET/2/9/4/102	ADB	8 YEARS	USD 14,036,793	Yes	Yes
		KET/2/9/4/102	ADB	8 YEARS	KShs 15,280,440	Yes	Yes
17	Kitui - Mwingi - Wote - Sultan Hamud	KET/2/9/4/43	ADB	8 YEARS	USD 2975932	Yes	Yes
18	Ishiara – Kieni – Embu	KET/2/9/4/43	ADB	8 YEARS	KShs114,500,975	Yes	Yes

	Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements(Yes/No)
19	Kindaruma – Mwingi- Garrissa		IDA	8 YEARS	USD 16121959.98	No	Yes
20	Eldoret – Kitale		IDA	8 YEARS	USD 7831951.81	No	Yes
21	Kisii – Awendo		IDA	8 YEARS	USD 6758413.78	No	Yes
			SPAIN/GOK	7 YEARS	EURO 142038152	No	Yes
22	Loiyangalani – Suswa Tl	KET/2/9/4/34	SPAIN/GOK	7 YEARS	EURO 4,364,977	No	Yes
23	Loiyangalani – Substation	KET/2/9/4/45	GOK	7 YEARS	EURO 7,962,869	No	Yes
			Exim Bank of China	6 YEARS	RMB 636,600,105.57	No	Yes
24	Rabai – Malindi – Garsen – Lamu	KET/2/9/4/72	Exim Bank of China	6 YEARS	KShs 2132190.269	No	Yes
25	Kenya - Tanzania Power Interconnector	KET/2/9/4/282	ADB	6 YEARS	USD 22,428,704	yes	yes
					KShs 439,444,244		
26	Kamburu Embu Thika	KET/2/9/4/122	Exim Bank of China	6 YEARS	USD 90,286,383	No	Yes
					KShs 2,650,743,251		

APPENDIX V: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

Reference No. on the external audit Report	Issue	Observations from Auditor	Management comments	Status	Time frame
1.0	Liquidation of Contractor under Exim Bank of India Projects	As reported in the prior year, the contract for Lot 1A 220 KV Turkwel-Ortum-Kitale substations under the EXIM Bank of India Projects was entered into on 16 April, 2013 with an expected completion date of 30 June, 2018. This contractor was contracted at a contract sum of USD 19,972,680, later revised downwards to USD 18,100,120. In July, 2018, the courts in India ordered liquidation of the contractor, resulting in financial challenges which made the contractor unable to complete the project. According to Management, by the time of liquidation in the home country, the contractor had achieved an overall completion status of 78% of the project. According to Management, another contractor has been identified to take over the remaining works and the formal contract signing is expected in April, 2021. According to the proposed contract, the contractor is expected to complete the outstanding works within a period of ten (10) months. Consequently, the project may experience delays in completion as well as associated cost overruns.	Contract with the new contractor was signed in April, 2021. Commencement of the project awaits payment of 20% advance. As of December, 2021 funding had been received from the National Treasury to facilitate payment of the GOK portion. This paves the way for the payment of the Exim Bank of India portion for which allocation of budget is awaited in the 2021/2022 Supplementary 1 Budget.	Ongoing	Financial year 2021/2022
2.0	Expiry of Loan Agreement	As reported in the prior year, the loan agreement between the Company and African Development Bank for the construction of 132KM of 400KV double circuit transmission line from Lessos substation in Kenya, to Tororo substation in Uganda, which was effective from 20 September, 2010 expired on 31 December, 2017. At the time of expiry of the agreement, the loan account had an undrawn balance of Kshs.2,720,466,827. The project has been at 61% level of completion since termination of the contractor for non-performance in April, 2016 and was at the same level at the time of audit. In addition, no funds have been received from the African Development Bank since 2016, from the loan account which had an undrawn balance of Kshs.2,720,466,827. Review of the project's cash and pending bills as at 30 June, 2020 revealed a funding shortfall of	The African Development Bank financing agreement expired and was cancelled/closed in December 2017. At the time of loan expiry the undrawn balances amounted to KShs equivalent 2,720,466,827. The financing agreement is not to be extended. KETRACO has engaged The National Treasury through Ministry of Energy to finance completion of the project. Currently KETRACO is in the process of preparing bid documents for the engagement of a new contractor subject to availability of funds. This will allow for completion of the project hence realization of the investment in the project.	Ongoing	Jun-22

Reference No. on the external audit Report	Issue	Observations from Auditor	Management comments	Status	Time frame
		Kshs.818,907,767. There was no evidence of renewal of the loan agreement or identification of other sources of funding for the project. Consequently, the project which is already behind schedule may experience significant cost overruns, as well as delayed delivery of services to the intended beneficiaries.			
3.0	Court Award on Terminated Contract	The arbitration case between the Company and Instalaciones Inabensa S. for termination of contract for the construction of 132KM of 400KV double circuit transmission line from Lessos substation in Kenya to Tororo substation in Uganda, has been unresolved since April, 2016. The tribunal issued an award in favour of the contractor on 30 July 2019 amounting to Eur 37,365,691 or approximately Kshs.4.5 billion which included termination costs, legal cost and other claims amounted to Kshs.2,223,137,553. Management considered the decision to be against public interest and sought the Attorney General's office for assistance in setting aside the tribunal's award. However, the award was upheld by the High Court of Kenya on 16 February, 2020.Further, it is not possible to confirm whether the project will be completed in the near future, and the additional costs which would be necessary to complete the project, or the losses which the Government of Kenya will suffer in the event that the project is not completed. Consequently, the award has resulted to unforeseen legal and arbitration costs, termination charges, and other claims.	The contracts with the main contractor (Inabensa) for the project were terminated in April 2016. An arbitration tribunal was instituted in 2019.The arbitration case was delivered in July 2019 in favour of the contractor. KETRACO appealed to the High Court for setting aside of the arbitral award to Inabensa. The High Court delivered their ruling in February 2021 upholding the arbitral award. KETRACO was of the opinion that the decision made by the Arbitrator was against public policy.Ketraco appealed the ruling at The Court of appeal. The Court of appeal on 19th November 2021 delivered their ruling upholding The High Court ruling. The ruling is now the subject of an appeal petition filed in The Supreme Court and awaiting determination. In the meantime KETRACO has engaged The National Treasury through Ministry of Energy to finance completion of the project. Currently KETRACO is in the process of preparing bid documents for the engagement of a new contractor subject to availability of funds. This will allow for completion of the project hence realization of the investment in the project.	Ongoing	Jun-22
4.0	Pending Wayleave Compensations	Review of wayleave compensations revealed that the Company has outstanding compensation to landowners for wayleaves amounting to Kshs.3,051,321,123. Management has attributed failure to pay this amount to insufficient budgetary allocation from The National Treasury and long negotiations between land owners, the Company and various County Governments. The delays in compensating Project Affected Persons may lead to legal suits, cost escalations and project delays.	Delayed wayleave compensation is attributed to inadequate funding by the National Treasury. KETRACO management has requested for additional funding in FY 2021-2022 to cater for wayleave compensation. Lack of Proper documentation especially on the land payments have also resulted in major delays, The directorate of Project Development Services is working in conjucntion with Finance department to Make all payments with sufficient documentation and pursue all pending compensation in a bid to reduce the outstanding balance and utilise all avaialble funds meant for wayleave compensation	Ongoing	Ongoing

Reference No. on the external audit Report	Issue	Observations from Auditor	Management comments	Status	Time frame
5.0	Delay in Completion of Projects	According to reports on projects' physical progress, there were significant delays in completion of five (5) of the projects under implementation by the Company, whose details have been enumerated severally in the respective project audit report as summarized below: o The 220KV and 132KV transmission lines and Substations Projects (Exim Bank) Project - The completion status for Lot 1A-220KV substation at Turkwel, Ortum and Kitale is 78% while Lot 3A-132/33KV Machakos-Konza-Kaijado-Namanga transmission line is at 60% completion status. o Kenya Power Transmission System Improvement Project - The erections of towers for the Olkaria-Narok and Lessos-Kabarnet transmission line is at 54% and 73% completion while the stringing on both lines is at 0%. o The Multinational Kenya Tanzania Power Interconnection Project - Lot K1 Isinya- Namanga transmission line was at 49% completion by 30 June, 2020. The project is behind schedule considering that the expected completion date was April, 2020 and significant works are yet to be done. o Kenyan Section of Interconnection Project of Electric Grids of Nile Equatorial Lakes Countries Project - The construction works on the project had stalled as at 30 June 2020. The project was scheduled to be completed by 31 December 2017. However, following a dispute with Instalaciones Inabensa S.A, the main contractor, the contract was terminated in April 2016. o Nairobi Ring Transmission Line - Key ongoing works related to Malaa Sub-station is at 64% completion status. Continued delay in the completion of these projects may result in cost overruns and delayed delivery of services to the public.	**The Multinational Kenya Tanzania Power Interconnection Project** - The project is currently on-going following the resolution of wayleave stoppages by the Community. The National government intervention resolved the impasse and its projected that the project will be completed in 20221. **Lot 1A-Turkwel-Ortum-Kitale Substations and Lot 3A Machakos-Konza-Kajiado-Namanga TL**--Once advance payment is made to the new contractor (Lot 1A), work on the outstanding works will commence and is expected to take a maximum of 10 months. However, for Lot 1A and 3A, certainty in this regard is pegged on budgetary allocation during Supplementary of 2020/2021. **Kenya Power Transmission System Improvement Project** - Ms Jyoti the previous contractors was declared bankrupt. KETRACO engaged a new contractor in April 2019. Ms China CAMCE CO. Ltd., who is accelerating completion of the remaining works before end of Financial year 2021/2022. KETRACO has also engaged The National Treasury through Ministry of Energy for the financing of the project through Government of Kenya funding. The Project Implementation team and the new contractor are working to finalise the remaining works, having completed olkaria Narok TL, the all efforts have been directed to Lessos Kabarnet and the remaining section of Kitui Wote section of Mwingi Kitui Wote Sultan Hamud TL. **Kenyan Section of Interconnection Project of Electric Grids of Nile Equatorial Lakes Countries Project.** KETRACO has engaged The National Treasury through Ministry of Energy to finance completion of the project. Currently KETRACO is in the process of preparing bid documents for the engagement of a new contractor subject to availability of funds. This will allow for completion of the project hence realization of the investment in the project. **Nairobi Ring Transmission Line** Delays in completion of Malaa substation were due to delayed site hand over for the substation in June 2018 as well as the disruptions of Covid-19 pandemic in year	Significant works have been done and the overall implementation status of this project as at 30 June 2021 was at 86% as compared to 49% as at 30 June 2020	It is projected that the projects will be completed in the current financial year 2021-2022

Reference No. on the external audit Report	Issue	Observations from Auditor	Management comments	Status	Time frame
			2020. The project implementation has resumed. Management has ensured that the project is adequately funded ,properly monitored and the escalation of project costs is less probable since the project is currently on course.		
6.0	Non-Compliance with Loan Novation Agreement	The loan related to the construction of the Kamburu-Meru transmission line was transferred from Kenya Power and Lighting Company (KPLC) to Kenya Electricity Transmission Company (KETRACO), 19 October, 2016. According to the Novation Agreement, KETRACO is required to make bi-annual payments to the Government of Kenya (GoK) on account of outstanding interest at a rate of 2.5% per annum, as detailed on the table below; Loan Amount (Chinese Yuan) Equivalent Amount (KShs) Loan Balance 145,669,690 2,194,950,889 Accrued interest 23,361,176 352,006,204 **Total due 169,030,866 2,546,957,092** However, as at 30 June 2020, the Company has not made any payments to the GoK, as stipulated in the novation agreement. Management has indicated that a moratorium for twenty four (24) months had been sought from National Treasury. However, this request for moratorium was yet to be considered by The National Treasury. Consequently, Management is in breach of the provisions of the novation agreement.	Based on the recommendation of the Task force , The company has applied for a loan moratorium from National Treasury for the mentioned loan. The Moratorium was for 24 months starting from financial year 2020.	ongoing	Financial year 2021/2022
7.0	Undrawn Funding Balances under Eastern Electricity Highway Project	The Eastern Electricity Highway Project had an approved budget of USD 441,000,000, UA 75,000,000, EUR 77,500,000 and Government counterpart funds of Kshs.8,585,000,000, all equivalent to Kshs.75,803,028,400. The project was expected to be completed by 30 September, 2020. However, as at 30 June, 2020, there was an undrawn balance of Kshs.35,658,914,156 or approximately 47% of the project funding, and pending bills of Kshs.2,640,343,389. The undrawn funding might not be absorbed fully by the time of expiry of the funding period on 31 December, 2022. The Management attributes the slow absorption of funds to the savings	The financing structure of the project was derived from the Project Appraisal document however savings from all the financiers were realized after the tendering process and awards to various contractors. The savings have since been redirected to new upcoming projects as detailed below:- AFD EUR 22,943,918 redirected to The Nairobi Ring Project,ADB UA 17,500,000 to be redirected to Mariakani substation and the Nanyuki Rumuruti underground cable (already KShs 512 Million utilized on the project) IDA USD 100,000,000 redirected to a new project Kenya Electricity Transmission System Improvement Project.	ongoing	Financial year 2021/2022

Reference No. on the external audit Report	Issue	Observations from Auditor	Management comments	Status	Time frame
		between the financing structure derived from the Project Appraisal Document; the savings realized after the tendering process and awards to various contractors; and savings made from wayleave financing which is based on actual valuations, which are currently lower than the estimates. Management is in the process of making proposals for new projects and has already commenced re-allocation of the savings to those projects. However until these project proposals, together with related approvals are finalized, the company will continue to lock up development funds in the current project.			
8.0	Asset Tagging and Physical Verification	Review of the Company's fixed asset register, revealed that the assets are not tagged, and the Company does not carry out periodic asset verification to verify existence of the assets. In the absence of asset tagging and periodic physical verification, the Company's assets may have been exposed to risk of theft, loss or breakdown of equipment. Further, the Company was exposed to risk on not being able to know the state, number and value of its assets at any given time.	The company is in the process of transitioning from the old tagging system into a new tagging system to follow the automated tagging process in SAP. Due to budget constraint the implementation is expected to be in 2022/2023 financial year.	Ongoing	Financial year 2022/2023

Hon. Capt. Joe Mutambu, MBS
Chairman

Eng. (CPA) Antony Wamukota
Ag Managing Director

APPENDIX VI: DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

			2020-2021	2019-2020	2020-2021	2019-2020
Financial institution	**Account number**	**Currency**	**In '000**	**In '000**	**KShs '000**	**KShs '000**
a) **Current account**						
Kenya Commercial Bank	1111251622				765,404	1,224,162
Kenya Commercial Bank	1200560752				462,975	797,601
Kenya Commercial Bank(Escrow)	1221490435				53,932	52,439
NCBA Bank Kenya Plc	1001309443				8,079	1,207
NCBA Bank Kenya Plc	1003385554	USD			397,490	222,170
NCBA Bank Kenya Plc	7612350017				1,576	127,732
NCBA Bank Kenya Plc	7612350025				14,402	6,841
NCBA Bank Kenya Plc	7612350038	EUR		75	8,773	259,713
NCBA Bank Kenya Plc	7612350046				321,938	249,604
Co-operative Bank of Kenya	01136160914100				114	1,228
Co-operative Bank of Kenya	01136160914101				11,142	71,838
Co-operative Bank of Kenya	01136160914102				308,396	326,189
Standard Chartered Bank	0104026386601				-	59
Standard Chartered Bank	9304026386600	EUR		2	-	190
Standard Chartered Bank	8704026386600	USD		5	-	488
Standard Chartered Bank	0104026386600				3,461,332	49
Citi Bank	300092007				967	1,000
Stanbic Bank					1,962,865	-
KCB Car Loan Account					60,000	
Sub- total					**7,839,385**	**3,342,510**
e) **Others(specify)**						
cash in hand					1,000	1,000
Sub- total					**1,000**	**1,000**
Grand total					**7,840,385**	**3,343,510**